



FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,628

Monday May 20 1985

D 8523 B

City	Rate	City	Rate	City	Rate
Amsterdam	100.00	London	100.00	Paris	100.00
Berlin	100.00	Rome	100.00	Stockholm	100.00
Brussels	100.00	Vienna	100.00	Zurich	100.00
Copenhagen	100.00	Frankfurt	100.00		
Helsinki	100.00	Luxembourg	100.00		
Madrid	100.00	Norwich	100.00		
Munich	100.00	Oslo	100.00		
Norway	100.00	Prague	100.00		
Oslo	100.00	Warsaw	100.00		
Stockholm	100.00	Stockholm	100.00		
Zurich	100.00	Zurich	100.00		

World news Business summary

Riyadh bomb blasts kill one

The radical Islamic Jihad group claimed responsibility for two explosions in the Saudi Arabian capital Riyadh on Sunday night. The first explosion, opposite a Western-style pizza parlour, killed a Filipino and seriously injured three other people. No one was injured in the second, which occurred shortly after the first near a compound where government military advisers live.

Diplomats in the capital believe the explosions are a warning that the Saudis are not beyond the reach of the Muslim fundamentalist group. Page 2

Swiss bank scandal

One of Switzerland's longest and most notorious banking scandals ended with a once-prominent banker, Robert Leclerc, found guilty of diverting millions of dollars from clients' accounts. He will be sentenced today.

New party head

Anibal Cavaco e Silva was elected as new leader of Portugal's troubled Social Democrat Party (PSD), a junior partner in St Mario Soares's centre-left coalition. Page 2

Contras 'face defeat'

U.S.-backed Contras rebels face a "strategic defeat" following a Nicaraguan government military offensive, the country's Defense Minister Humberto Ortega said. Page 2

Moscow accuses U.S.

Soviet leader Mikhail Gorbachev accused the U.S. of a military build-up in the Indian Ocean and of threatening attempts to make the region a zone of peace. Page 2

Pope in Belgium

Pope John Paul urged Belgians to overcome language and racial barriers in their country and said their success could be an example to the rest of the world.

Peking soccer unrest

Thousands of Chinese football fans rampaged outside the Peking's Workers Stadium, stopping and attacking foreign cars, after China lost 2-1 to Hong Kong.

Treason trial

Sixteen members of the multiracial UDF group go on trial today, in South Africa's most important treason hearing for 20 years. Page 2

Warsaw price rise

The Polish Government will go ahead with plans to raise the price of meat despite objections by leaders of legal trade unions and Solidarity.

Cairo book ban

An Egyptian court ordered the confiscation of new editions of the centuries-old Arabic classic "A Thousand and One Nights," saying it posed a threat to morals.

Pilot strike talks

United Airlines, the U.S.'s biggest carrier, is due to resume negotiations with striking pilots today in a bid to end the three-day-old dispute.

Florida emergency

Florida's governor declared a state of emergency as forest fires broke out in much of the state. Page 2

Prost wins

Alain Prost of France won his second Monaco Grand Prix in succession, driving a McLaren.

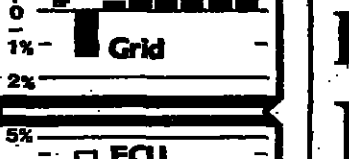
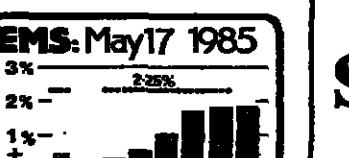
Nocturnal noise

Snoring may be dangerous. Higher blood pressure and an increased chance of heart and circulatory disease can be caused by snoring, according to Copenhagen's sleep research laboratory.

Belgians to raise stake in UK bank

GROUP PARAGESA/Brussels Lambert (GPBL), a Swiss-Belgian financial conglomerate, will this week underwrite a £35m (\$44m) rights issue by Henry Ansbacher, the UK-based merchant bank and insurance broker group. GPBL has a 29.9 per cent stake in Ansbacher, which will rise to at least 50 per cent as a result of the underwriting and adjustments to conversion terms of £14.5m of loan stock. Page 14

EUROPEAN Monetary System: The Irish pound remained the strongest performer last week. The D-Mark



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2 1/2 per cent. The lower chart gives such currency divergence from the "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

TOKYO: Nikkei Dow index closed 9615 up on Saturday, at 12,516.14. Page 22

EUROMARKETS: Canadian Export Development Corporation's decision to issue Euro-commercial paper without underwriting or standby credit facilities has thrown the role of commercial banks in the Euro-markets into question. Page 15

NIGERIA is to issue promissory notes for about \$500m to help in the rescheduling of foreign debts. Page 3

SOUTH AFRICAN Gold Coin Exchange cannot honour guarantees to repurchase Kruggerands, and has been placed under voluntary judicial management. Page 2

SWISS central bank authorities have lifted the SwFr 200m (\$78m) ceiling on public bond issues by foreign borrowers as a further step in the liberalisation of the country's capital market. Page 18

SOVIET UNION and United States start their highest level trade talks for six years in Moscow today. Page 2

WEDD DURLACHER, the UK jobbing firm now being integrated into Barclays Bank's new securities group, has sold its 50 per cent stake in Charles Fulton, the money banking firm, back to its management.

AMERICAN Savings & Loan, the biggest U.S. savings bank and a subsidiary of Financial Corporation of America, lost \$1.1bn in deposits last month, the third month in a row it has suffered a net outflow of funds. Page 15

UK MINISTRY of defence invited four groups to submit ideas for a computer-based command system, worth at least £75m (\$93.7m), for RAF Strike Command HQ. Page 6

BRITISH independent oil companies meet this week to decide whether to set up a trading company to find markets for their North Sea output after the abolition of BNO.

Satellite launch costs poised to rise in U.S. and Europe

BY PETER MARSH IN LONDON AND DAVID MARSH IN PARIS

PRICES for satellite launches on both the U.S. space shuttle and western Europe's Ariane rocket are likely to rise following an impending announcement by President Ronald Reagan on the level of government subsidy for the American vehicle.

The decision, due in the next week or so, will probably reduce the subsidies on shuttle launches, which currently recoup by commercial fees only a fraction of the \$150m or so that each flight costs.

This, in turn, is likely to give Ariane, the mainly French company that sells Ariane launches, the chance to raise its prices, which at present are roughly comparable to those for the shuttle.

Mr Roland Deschamps, Ariane's secretary general, says his company wants to increase prices to raise its currently meagre profit ratio but that the subsidisation of the shuttle is preventing this.

Any steep increase in prices for the shuttle would, however, favour Ariane, at least in the short term. The American vehicle is already having to contend with a poor image due to its failure last month to put a U.S. Navy satellite into orbit, a mishap which was due to a faulty rocket motor on the satellite.

Ariane and the space shuttle each account for about half the market, worth about \$500m a year, for taking into orbit commercial communications satellites.

The decision by President Reagan should end months of argument between U.S. government bodies which have failed to agree on the extent to which the space shuttle should pay its way.

The National Aeronautics and Space Administration, the operator of the shuttle fleet of three vehicles (a fourth should enter service later this year), says that an element of subsidy is needed to tempt more companies to use the craft, for instance for experiments in zero-gravity materials processing.

The Department of Transportation, which has responsibility for regulating space-launch vehicles, operated both by NASA and private companies, wants the space administration to raise its prices to recoup more of its operating costs from customers.

This is both as a contribution to cutting the U.S. Government deficit and as a way to boost the fortunes of private enterprises that sell rocket launches.

Last year, General Dynamics and Transpace Carriers announced they would take payloads into orbit using the Atlas-Centaur and Delta rockets, both previously operated by NASA. But neither company has chalked up an order, the result, they say, of government subsidies to the shuttle that give NASA an unfair advantage.

Telecommunications companies and governments are expected to launch roughly 20 communications satellites annually over the next few years.

At present, the fees charged by Ariane and NASA are roughly comparable. The prices range between \$30m and \$50m for a launch into the geostationary orbit 36,000 km above the Earth of a 1.2 tonne communications satellite.

NASA's prices are fixed to October 1986 by an earlier government decree. The current debate in the U.S. is over the pricing policy for the three years from that date, an important subject now, given that satellite companies often require two to three years to arrange a launch for their hardware.

Here the arguments become complex as prices for the shuttle are fixed in terms of the 1982 value of the dollar. The prices relate to the sum a customer would be charged for "renting" the whole of a shuttle's cargo bay, which can lift a payload of 30 tonnes, rather than for a small section of this space that is big enough to lift a 1-tonne satellite.

In practice, the bay is filled with perhaps three such satellites, the owners of which pay NASA the appropriate proportion of the total fee. The current policy has fixed the shuttle price (for the complete cargo bay) at \$71m until October 1988.

While NASA wants the sum kept at roughly this level for the following three years, the Department of Transportation favours charging about \$110m.

According to NASA, each shuttle flight now costs about \$150m. This includes of spare parts, engineers' time and the appropriate share of the charges for running various NASA space bases. It does not include repayments of the \$11bn development costs for the shuttle fleet.

On the current pricing policy, therefore, the Government has to pay roughly \$90m toward the cost of each shuttle flight, assuming the vehicle carries three satellites whose owners each contribute \$20m. In addition, the satellite

goes at \$71m until October 1988. While NASA wants the sum kept at roughly this level for the following three years, the Department of Transportation favours charging about \$110m.

According to NASA, each shuttle flight now costs about \$150m. This includes of spare parts, engineers' time and the appropriate share of the charges for running various NASA space bases. It does not include repayments of the \$11bn development costs for the shuttle fleet.

On the current pricing policy, therefore, the Government has to pay roughly \$90m toward the cost of each shuttle flight, assuming the vehicle carries three satellites whose owners each contribute \$20m. In addition, the satellite

goes at \$71m until October 1988. While NASA wants the sum kept at roughly this level for the following three years, the Department of Transportation favours charging about \$110m.

According to NASA, each shuttle flight now costs about \$150m. This includes of spare parts, engineers' time and the appropriate share of the charges for running various NASA space bases. It does not include repayments of the \$11bn development costs for the shuttle fleet.

On the current pricing policy, therefore, the Government has to pay roughly \$90m toward the cost of each shuttle flight, assuming the vehicle carries three satellites whose owners each contribute \$20m. In addition, the satellite

goes at \$71m until October 1988. While NASA wants the sum kept at roughly this level for the following three years, the Department of Transportation favours charging about \$110m.

According to NASA, each shuttle flight now costs about \$150m. This includes of spare parts, engineers' time and the appropriate share of the charges for running various NASA space bases. It does not include repayments of the \$11bn development costs for the shuttle fleet.

On the current pricing policy, therefore, the Government has to pay roughly \$90m toward the cost of each shuttle flight, assuming the vehicle carries three satellites whose owners each contribute \$20m. In addition, the satellite

goes at \$71m until October 1988. While NASA wants the sum kept at roughly this level for the following three years, the Department of Transportation favours charging about \$110m.

According to NASA, each shuttle flight now costs about \$150m. This includes of spare parts, engineers' time and the appropriate share of the charges for running various NASA space bases. It does not include repayments of the \$11bn development costs for the shuttle fleet.

On the current pricing policy, therefore, the Government has to pay roughly \$90m toward the cost of each shuttle flight, assuming the vehicle carries three satellites whose owners each contribute \$20m. In addition, the satellite

goes at \$71m until October 1988. While NASA wants the sum kept at roughly this level for the following three years, the Department of Transportation favours charging about \$110m.

According to NASA, each shuttle flight now costs about \$150m. This includes of spare parts, engineers' time and the appropriate share of the charges for running various NASA space bases. It does not include repayments of the \$11bn development costs for the shuttle fleet.

On the current pricing policy, therefore, the Government has to pay roughly \$90m toward the cost of each shuttle flight, assuming the vehicle carries three satellites whose owners each contribute \$20m. In addition, the satellite

goes at \$71m until October 1988. While NASA wants the sum kept at roughly this level for the following three years, the Department of Transportation favours charging about \$110m.

According to NASA, each shuttle flight now costs about \$150m. This includes of spare parts, engineers' time and the appropriate share of the charges for running various NASA space bases. It does not include repayments of the \$11bn development costs for the shuttle fleet.

On the current pricing policy, therefore, the Government has to pay roughly \$90m toward the cost of each shuttle flight, assuming the vehicle carries three satellites whose owners each contribute \$20m. In addition, the satellite

goes at \$71m until October 1988. While NASA wants the sum kept at roughly this level for the following three years, the Department of Transportation favours charging about \$110m.

According to NASA, each shuttle flight now costs about \$150m. This includes of spare parts, engineers' time and the appropriate share of the charges for running various NASA space bases. It does not include repayments of the \$11bn development costs for the shuttle fleet.

On the current pricing policy, therefore, the Government has to pay roughly \$90m toward the cost of each shuttle flight, assuming the vehicle carries three satellites whose owners each contribute \$20m. In addition, the satellite

goes at \$71m until October 1988. While NASA wants the sum kept at roughly this level for the following three years, the Department of Transportation favours charging about \$110m.

According to NASA, each shuttle flight now costs about \$150m. This includes of spare parts, engineers' time and the appropriate share of the charges for running various NASA space bases. It does not include repayments of the \$11bn development costs for the shuttle fleet.

On the current pricing policy, therefore, the Government has to pay roughly \$90m toward the cost of each shuttle flight, assuming the vehicle carries three satellites whose owners each contribute \$20m. In addition, the satellite

goes at \$71m until October 1988. While NASA wants the sum kept at roughly this level for the following three years, the Department of Transportation favours charging about \$110m.

According to NASA, each shuttle flight now costs about \$150m. This includes of spare parts, engineers' time and the appropriate share of the charges for running various NASA space bases. It does not include repayments of the \$11bn development costs for the shuttle fleet.

On the current pricing policy, therefore, the Government has to pay roughly \$90m toward the cost of each shuttle flight, assuming the vehicle carries three satellites whose owners each contribute \$20m. In addition, the satellite

goes at \$71m until October 1988. While NASA wants the sum kept at roughly this level for the following three years, the Department of Transportation favours charging about \$110m.

Swedish strike settlement near after Palme move

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

THE STRIKE of 2 1/2 weeks by Swedish civil servants, the country's biggest ever public sector industrial dispute, was close to settlement last night following secret intervention in the conflict by Mr Olaf Palme, the Prime Minister.

Mr Palme held meetings with leaders of the 285,000-strong TCO-S civil servants union which since early May has brought the country's civil air traffic to a halt and has badly disrupted Sweden's foreign trade.

Late last night the two sides appeared close to accepting a new offer from the state appointed mediator, which would give civil servants an increase of 2 per cent from December 1.

The strike has been staged by the country's biggest civil service union in support of a compensatory pay claim for 1984, a year when public sector employees claim that their wages fell sharply behind increases in the private sector.

A controversial clause in last year's two-year agreement specifically allowed a renegotiation in these circumstances, but the Government has been reluctant to grant any further increase for fear of bursting its own 5 per cent voluntary ceiling for labour cost increases in 1985.

Mr Palme said yesterday that he had not negotiated with the TCO-S leadership, but had merely opened the way to renewed talks between the two sides and the mediator. He denied having gone behind the back of the state employer board and claimed the new offer was under the voluntary ceiling.

In the midst of the strike Swedish financial authorities were forced to drastically tighten monetary policy with a big increase in interest rates to try to strengthen confidence in the Swedish krona and stop a mounting flow of capital out of the country.

Both the strike and the new squeeze on consumer spending are expected to damage the Social Democratic Government's chances of being re-elected in the general election in September, although a new opinion poll published yesterday - and taken before the latest events - showed the Socialist bloc clearly gaining ground after trailing behind the centre-right opposition parties for many months.

The new poll by IMU showed the Socialist bloc - the Social Democrats and Communists - with 49.5 per cent compared with 46.5 per cent for the non-Socialists. In the last IMU poll in February the non-Socialists had 48 per cent compared with 47.5 per cent for the Social Democrats and Communists combined.



Mr Olaf Palme

Thatcher and Kohl agree on use of veto

By Robert Mauthner in London

MRS Margaret Thatcher, the British Prime Minister, is understood to have told Herr Helmut Kohl, the West German Chancellor, that Britain basically supports the use of the veto in the EEC Council of Ministers on matters of vital national interest.

The veto was employed by the Germans in last week's farm ministers meeting in Brussels, on a proposal to cut cereal prices.

Britain's position was conveyed to Herr Kohl during a one-day meeting on Saturday between the two leaders at Chequers, at which preparations for the European summit due to be held in Milan on June 28 and 29 was one of the main subjects discussed.

Mrs Thatcher and Herr Kohl focused on the conclusions of the Dooge report, which will be one of the main items on the agenda of the Milan meeting and which proposes to make majority voting the rule rather than the exception in the Community's decision-making.

Although Britain's position on the national veto, a result of the Luxembourg compromise of 1966, has long been clear, it finds itself in somewhat of a dilemma on the specific controversy over cereal prices.

Having argued strongly for many years in favour of measures to reduce agricultural spending in the Community, the British Government can hardly claim to be happy with a German move to veto a 1.5 per cent cut in cereal prices, which is only half the amount of the European Commission's original proposal.

Under last year's agricultural reform package, which Britain energetically promoted, the cut in cereal prices should have been at least 5 per cent, according to the Commission's calculations.

However, the official British view is that, in several other areas, such as fruit and vegetables, meat, sugar and textiles, the Community has agreed to a 5 per cent cut.

Continued on Page 14

U.S. court blow to hostile corporate bids

BY WILLIAM HALL IN NEW YORK

U.S. INVESTMENT bankers are studying a Delaware court decision which appears to mark an important setback for the corporate raiders who mount hostile tender offers for vulnerable companies in the hope that they will be bought out at a profit.

In what many corporate lawyers believe could be a landmark judgment, the Supreme Court of the state of Delaware, ruled last Friday that Unocal, a big U.S. oil company, could exclude a group of corporate raiders, led by Mr T. Boone Pickens, from a \$3.6bn share buyback scheme.

The ruling was greeted enthusiastically by executives of major oil companies who have watched with mounting concern as a group of corporate raiders, led by Mr Pickens, have forced several well-known oil companies either to seek friendly takeovers or to buy back their shares on terms not available to the rest of the company's shareholders - a tactic known as "greenmail".

Many U.S. companies are registered in Delaware and the court decision, vindicating Unocal's action, is being interpreted as a significant new weapon for fighting off unwelcome bids. It is believed to be the first time that a company has "greenmailed" a corporate raider, by turning the tables on him. Wall Street analysts were speculating last night that Mr Pickens will now seek talks with Unocal's management in an effort to protect its position.

Unocal had offered to buy back close to a third of its shares for securities worth \$72 per share in a bid to fight off an unfriendly \$54 a share tender offer for majority control from Mr Pickens.

Mr Pickens' investor group, which already owns 13.6 per cent of Unocal, wanted to tender its shares under the Unocal offer and would have stood to make a \$150m profit on the terms offered to other shareholders.

Unocal has insisted all along that it intended to exclude Mr Pickens from the exchange offer. If it succeeds and proceeds with its own exchange offer, the value of Mr Pickens' shareholding is likely to drop sharply since the value of the residual Unocal shares will fall.

Wall Street analysts have estimated that Unocal shares will probably trade in the lower \$30 range after Unocal completes its own offer. If this is the case, then Mr Pickens, who has made over \$1bn in profits from similar raids over the last two years, will face a loss of around \$300m on his investment.

Until now the risk reward ratio in corporate raids on companies such as Gulf Oil, Phillips Petroleum and Unocal has appeared to favour raiders like Mr Pickens. However, the Delaware decision has raised the financial risks for hostile bidders like Mr Pickens who put companies under pressure to buy back their shares.

Although Mr Pickens has always insisted that he wants to take over and manage Unocal, the Delaware court concluded that Unocal's board had acted in good faith by rejecting Mr Pickens' \$54 a share offer.

Argentina freezes dollar deposits

By Jimmy Burns in Buenos Aires

THE ARGENTINE Government has announced a package of measures aimed at easing the growing liquidity squeeze on the country's financial institutions following the collapse of the Banco de Italia y Rio de la Plata, the third largest private bank.

The central bank froze all deposits held in foreign currency as from today for the next 120 days, in a bid to halt the growing run on dollar deposits.

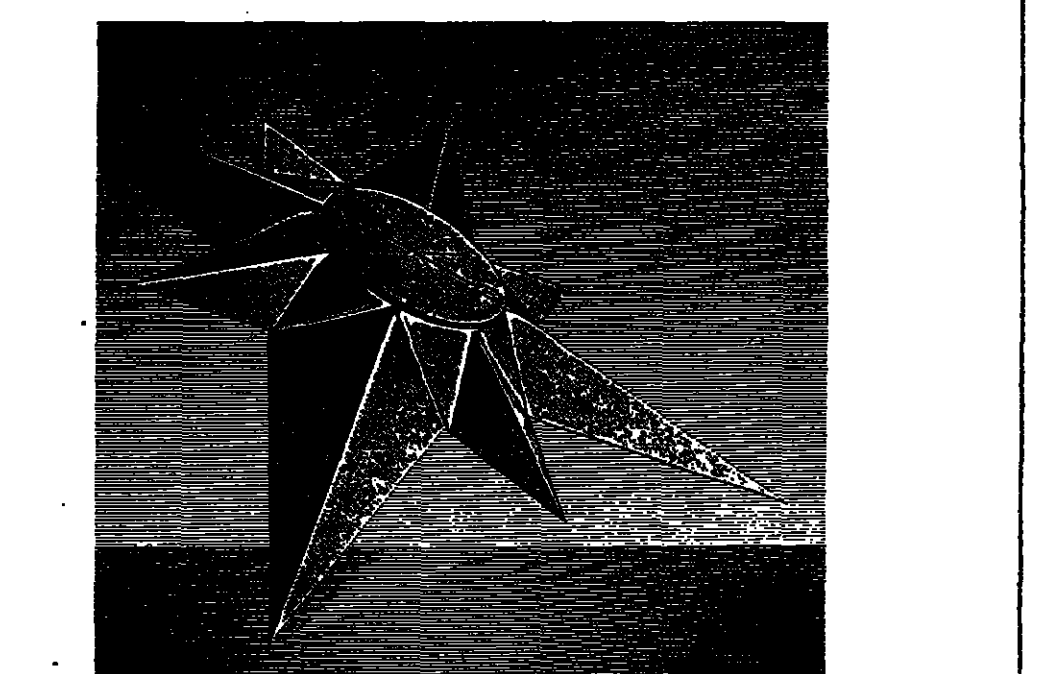
Other measures include a further reduction in the minimum reserve requirement and the announcement of extended re-discount lines to banks in difficulties. Interest rates on Treasury Bills meanwhile have been reduced in an attempt to increase the capacity of individual banks to absorb funds. Over the last week the central bank had been using Treasury Bills as the main instrument to minimise the monetary expansion implied by the opening of emergency credit lines to cash-strapped banks.

Mr Alfredo Concepcion, the governor of the central bank, justifies the measures by saying that they were aimed at re-establishing public confidence in the local banking system. He retorted speculation that the move could eventually lead to a nationalisation of deposits.

"I am a firm believer that state intervention in the banking system should be kept to the minimum necessary. I hope that when the 120 days are up we will be able to proceed with responsibility, efficiency and solvency," Mr Concepcion said in a radio interview.

Continued on Page 14

Only someone on the right course can help you with yours.



A universal bank has the right instruments to determine your exact position and help plot the best course to your goal. The coordinates of our branch system dot the globe.

Among our comprehensive services are time and notice deposits in all major currencies, short, medium and long-term loans (overdrafts, straight and roll-over loans, acceptance credits in £-stg, US \$, DM and other Eurocurrencies with special emphasis on trade finance and

forfeiting), placement and trading in foreign securities such as Eurobonds, convertibles etc., foreign exchange, and international portfolio management.

Whenever and wherever you encounter problems with complicated international financing, contact the Deutsche Bank. We'll put your business on a proper course. Deutsche Bank AG, London Branch, 6 Bishopsgate, P.O. Box 441, London EC2P 2 AT, Tel.: 2 83 46 00

Deutsche Bank
A century of universal banking

CONTENTS	
International	2
Companies	15-16
World Trade	3
Britain	4-6
Companies	18-19
Arts - Reviews	10
World Guide	10
Construction	24
Crossword	31
Currencies	32
Editorial comment	12
Eurobonds	26
Financial Futures	36
Intl Capital Markets	15, 16

OVERSEAS NEWS

European split
on space weapon
research widens

BY RUPERT CORNWELL IN BONN

DEEP ROOTED differences between the European allies over Washington's space-based Strategic Defence Initiative (SDI) emerged clearly over the weekend at a session in Stuttgart of the North Atlantic Assembly.

The assembly, which links parliamentarians from the 16 member states of the North Atlantic Treaty Organisation (although Greek delegates were missing because of their general election campaign) has no official status within Nato, but its deliberations in Stuttgart indicated that doubts about the merits of European participation in SDI are if anything growing—even if there was a strong consensus in favour of Europe at least making a common reply to the U.S. offer of SDI involvement.

Representatives of France, Denmark and Norway made clear their refusal to participate, while General Wolfgang Altenburg, Chief of Staff of the Bundeswehr, told the assembly's military committee that SDI as it stood raised more questions than it answered.

Mr John Gardner, director of the SDI department of the Pentagon, moreover admitted that if the system was in place, it might tempt the Soviet

Union to increase its offensive weaponry—thus strengthening the fears of opponents of SDI, who have argued that it would merely contribute to an acceleration of the super-powers' arms race.

Within West Germany itself, voices have been raised doubting the merits of involvement, despite the apparent inclination of Chancellor Helmut Kohl himself to have Bonn contributing to the project.

Herr Egon Dietrich Genscher, the Foreign Minister, who has long been visibly less enthusiastic than Herr Kohl about SDI, warned cryptically at the weekend after talks in Vienna with his U.S. and Soviet counterparts that arms races in space was "incompatible" with détente.

For his part, former Chancellor Helmut Schmidt said in a newspaper interview in Israel, which he is currently visiting, that West Germany should stay out of SDI research work, and instead join the Bureks initiative promoted by France.

Mr John Gardner, director of the SDI department of the Pentagon, moreover admitted that if the system was in place, it might tempt the Soviet

Western European Union
representatives meet today

BY DAVID HOUSEGO IN PARIS

PARLIAMENTARIANS from the seven-nation Western European Union (WEU) gather in Paris today in a mood of disappointment that proposals by foreign and defence ministers to inject life into the organisation have so far produced few tangible results.

The three-day meeting of the WEU assembly is expected to be dominated by this and the generally recalcitrant attitude of the parliamentarians towards a European participation in the U.S. Strategic Defence Initiative (SDI).

The proposal to reinvestigate the WEU as a "European pillar" of the Atlantic defence Community was a French initiative. It was endorsed by foreign ministers of the other member states at their meeting in Rome in October 1984—an endorsement that reflected the collective preoccupation of governments that the public disquiet at the deployment of U.S. missiles in Europe gave new urgency to the need for defining the role of a "European pillar" in the Alliance.

But the momentum generated at the Rome meeting was largely dissipated when defence and foreign ministers met again in Bonn last month. In the eyes

of some parliamentarians, the loss of momentum was reflected in the decision to name Mr Alfred Cohen, a senior Belgian diplomat as the new Secretary General of the organisation, as opposed to a politician who would have carried more international weight.

At the same time the parliamentarians were disappointed that ministers at Bonn gave only the vaguest definition to the three new agencies that they decided to set up within the WEU. It is still unclear exactly what these bodies—covering disarmament, security and defence, and arms and arms development—are intended to do.

After being the most enthusiastic for the reinvestigation of the WEU, France's recent cooler attitude towards the organisation has been widely noted. No member of the French Government is scheduled to attend the meeting.

The U.S. also recently made clear its dislike of European co-ordination through the WEU when Mr Richard Burt, the U.S. assistant secretary of state, warned the member states against formulating positions on defence outside the Nato Alliance.

Baldridge
holds trade
talks in
Moscow

By Patrick Cockburn in Moscow

MR MALCOLM BALDRIGE, the U.S. Commerce Secretary, is to meet Soviet officials in Moscow today in the highest level meeting of trade between the U.S. and the Soviet Union since 1978.

Mr Baldridge will meet Mr Nikolai Patolichev, the Soviet Foreign Trade Minister, at a two-day session of the Joint Soviet-American Commercial Commission.

A significant increase in trade between the super powers is unlikely however. Officials in Washington made clear that although the Soviet Union is interested in importing some manufactured goods such as agricultural machinery from the U.S., almost all its contracts to be awarded outside the country under the 1984-90 five-year plan will go to West European and Japanese companies.

Over the past year Moscow has adopted the practice of awarding some of these contracts on a turnkey basis for rapid completion. In most cases foreign labour will be used.

The Soviet Union imported goods, mostly grain, worth \$2.8 bn (\$2.6 bn) from the U.S. last year. Its exports were worth \$600 m.

The significance of the talks is that they take place after a month in which exchanges between Washington and Moscow have been increasingly frosty.

Mr Mikhail Gorbachev, the Soviet leader, made this clear over the weekend in an interview on Indian affairs. Mr Rajiv Gandhi, the Indian Prime Minister, is to start a five-day visit to the Soviet Union next Wednesday.

Mr Gorbachev accused the U.S. of constantly building up its strength in the Indian Ocean and had "unilaterally broken off the Soviet-American talks on limiting military activities in the Indian Ocean."

Soviet desire for a successful visit by Mr Gandhi is all the greater because Moscow's relations with Pakistan have deteriorated in recent months. Indian newspapers yesterday forecast a "major parliamentary debate over a Bill giving Prime Minister Rajiv Gandhi's Government almost unlimited powers to fight Sikh extremists, Reuters reports from New Delhi.

The anti-terrorism Bill goes before the lower house of parliament today and is certain to pass because of Prime Minister Gandhi's overwhelming majority.

visit to Tehran by the Saudi Foreign Minister Prince Faisal, the first by a senior Saudi official since the overthrow of the Shah. The visit represents a breakthrough in relations between the Arab Gulf states and the Islamic republic.

The Iranians are likely to take the opportunity to urge Saudi Arabia to end its financial support to the Gulf States, which are believed to have channelled some \$400 m (\$300 m) into Iraq to help fight the war against Iran. Last year a Saudi fighter aircraft shot down an Iranian plane following Iranian attacks on its shipping in the region.

One of the Riyadh bombs exploded across the street from

Two SHITE bombs exploded in the Saudi Arabian capital of Riyadh over the weekend, killing one person and injuring three. The Shi'ite Moslem Islamic Jihad group claimed responsibility for the blast, and announced that they were the beginning of a bombing campaign within the country.

The group's statement, issued in Beirut, warned that the Riyadh blasts "were just a minor specimen of a series of blows which would be made in Saudi towns." Recent Saudi attempts to set up a rapprochement with the Islamic Republic of Iran would not deter Islamic Jihad cells in Saudi Arabia, it said.

The statement is thought to be a reference to the current

Talks today on
UAL strike

By William Hall in New York

A FEDERAL mediator is to hold talks today with the management and pilots of United Airlines in a bid to end the three-day-old strike at America's biggest airline.

The strike, over United's attempts to introduce a two-tier wage structure and pay new pilots considerably less than veterans, has stranded thousands of travellers.

United normally operates over 1,550 daily flights to 139 airports across all 50 U.S. states, plus Canada, Mexico, the Bahamas and the Far East. The company said it expected the number of flights operated this week to increase from the 14 per cent expected in the first half of the week.

This is not enough, however, to avert widespread disruption this week especially amongst U.S. business travellers.

Treason trial of 16 begins in S. Africa

BY ANTHONY ROBINSON IN PIETERMARITZBURG

SOUTH AFRICA'S most important treason trial for over two decades begins in the Pietermaritzburg Supreme Court today, when 16 prominent members of the multi-racial United Democratic Front (UDF) face a 600-page indictment for the common law crime of treason under the country's draconian internal security laws.

The defendants will include two UDF presidents, Mr Archie Gumede, 71, and Mrs Albertina Sisulu, wife of African National Congress (ANC) executive, Walter Sisulu, who was jailed together with ANC leader Nelson Mandela in 1964.

The others include six prominent African leaders of UDF affiliates of whom five took part in the occupation of the British Consulate in Durban last year, together with four leaders of the black South African Allied Workers' Union (SAAWU), a radical UDF-affiliated trade union.

The trial is expected to last at least 18 months and the state has given notice that it intends calling over 120 witnesses to bolster its case that the accused have used the UDF and other organisations "to further the aims of the revolutionary

alliance."

The "alliance" composed of the banned ANC and South African Communist Party and the South African Congress of Trade Unions, is committed to the violent overthrow of the South African state.

Defence lawyers have prepared a 100-page request for clarification of specific items in the indictment and expect the first session to be brief, followed by a possibly lengthy adjournment. The indictment is based largely on speeches made over the last four years, including those against the new Tri-cameral constitution and supporting the UDF-led movement to boycott the elections to the new Asian and Coloured (mixed race) chambers.

The maximum penalty for treason is death. Four other treason trials involving another

14 people will begin shortly in the Transvaal.

The Pietermaritzburg trial, more important than any since the "Rivonia" trial which ended in 1981 will be presided over by the Judge President of Natal, Judge John Milne. He enjoys a high reputation as an upholder of the traditions of judicial independence and angered the Government earlier this month, by overruling the Attorney General and granting bail to the 16 accused.

The political nature of the trial, however, has been underlined by President Pieter Botha, and Minister of Law and Order, Louis le Grange, both of whom fiercely attacked the UDF as a front for the banned ANC and Communist Party and accused its leaders of fermenting "a revolutionary climate."

Over 350 people have died in violence in black townships over the past nine months. Opinion is divided between those who believe violence is instigated by the UDF and ANC and those who believe the origins lie in the apartheid system itself and that the arrest of UDF and other leaders has increased violence by removing those with the authority to keep violence in check.

Two Shi'ite bombs explode in Riyadh

BY KATHLEEN EVANS IN DUBAI AND FINN BARRIE IN RIYADH

TWO BOMBS exploded in the Saudi Arabian capital of Riyadh over the weekend, killing one person and injuring three. The Shi'ite Moslem Islamic Jihad group claimed responsibility for the blast, and announced that they were the beginning of a bombing campaign within the country.

The group's statement, issued in Beirut, warned that the Riyadh blasts "were just a minor specimen of a series of blows which would be made in Saudi towns." Recent Saudi attempts to set up a rapprochement with the Islamic Republic of Iran would not deter Islamic Jihad cells in Saudi Arabia, it said.

The statement is thought to be a reference to the current

Western-style pizza parlour on Saturday killing a Filipino worker and seriously injuring three other persons. The second blast, a little later, was 50 metres away from a compound where American military advisers to the Saudi Arabian National Guard live. No injuries were reported in the second blast.

U.S. officials say their embassy received no warning of the attack and were not interpreting the bomb as being directed against Americans. Islamic Jihad was responsible for the two Beirut bombings in which U.S. Marines and diplomats were killed.

The Saudi Ministry of Interior had no comment and

local newspapers have been told by important princes to refrain from publishing further accounts of the incidents. Saudi Arabia has an important Shi'a Moslem minority in the oil-rich Eastern Province.

In Tehran yesterday Prince Saud met Mr Ali Akbar Velayati, the Iranian Foreign Minister, who presented Prince Saud with a detailed account of "Iraqi war crimes and violations of international convention and told him that Iran would continue its 'just' struggle against the Baghdad regime."

The Iranian Press struck a more optimistic note about the visit, however, saying it could prove successful in normalising relations between Iran and Saudi Arabia.

Moslem groups sceptical of Christian offer

BY RICHARD JOHNS

THE two leading Moslem factions greeted with scepticism yesterday the apparently conciliatory overture by the Lebanese to the combined Christian militias, to pull out their numbered units in the town of Jezzine and elsewhere in the south.

A statement issued at the weekend by Mr Elie Hobeika, recently appointed chief of the Lebanese forces who has undertaken to co-operate with Syria in resolving the Lebanese political crisis, also said that the

faction would close down its Liaison office with the Israeli Government in Jerusalem.

Its continuing existence has been a major source of contention with the Moslem factions, in particular the Shi'ite Amal Movement.

Moslem scepticism is based largely on awareness of Mr Hobeika's known links with the Israelis. No definitive reaction came yesterday from either Amal or the mainly Druze Popular Socialist Party but that may have to wait full consideration from Syria. The declaration is seen as a manoeuvre by the Lebanese forces to buy time.

facing each other across Beirut's "green line."

Thunderous exchanges of fire involving several thousands of rounds of heavy ammunition rocked the Christian eastern and predominantly Moslem western sector over the weekend in one of the worst bouts since a Christian offensive against Palestinians near Sidon broke an uneasy truce.

Fatal casualties, reported as only two dead, seemed disproportionate to the volume of rocket and mortar fire.

Emergency declared as
fire sweeps Florida

BY OUR NEW YORK CORRESPONDENT

THE Governor of Florida has declared a state of emergency and called in the National Guard as the worst forest fires in the state's history swept across highway and temporarily blocked out large parts of southern Florida.

The fires are a direct result of the extended drought which has hit many states along the eastern U.S. seaboard. Florida had only 50 per cent of its normal rainfall in recent months and high winds and low humidity have led to the outbreak of forest fires.

The worst have been raging along a 100-mile stretch of coastline from St Augustine in the north to Cape Canaveral in the south. Hundreds of luxury homes have been destroyed in the Palm Coast area and National Guard units have been brought in to stop looting.

Florida's Governor, Bob Graham, declared a state of emergency on Saturday and state officials said that 99 fires, some out of control, continued to burn in 27 of the state's 67 counties. One fire disrupted electricity lines supplying communities from Palm Beach to the Florida Keys on Friday but supplies have since been restored.

Rain fell across parts of the state yesterday bringing some relief to exhausted fire-fighters.

Managua claims contras
face strategic defeat

BY TIM COONE IN MANAGUA

THE U.S.-backed contras fighting inside Nicaragua are facing a strategic defeat, according to Commander Umberto Ortega, the Nicaraguan Defence Minister, as a result of the sustained military offensive government forces have been carrying out since February.

Speaking at a military parade close to the Honduras frontier on Saturday, Commander Ortega, said that the bulk of the contra forces had fled into Honduras and Costa Rica and that in this year alone, 1,200 contras had been killed. This

was equivalent to some 10 per cent of their estimated strength.

The defence minister said that Nicaragua's military mobilisation is to increase with the aim of destroying this year the guerrilla forces that remain in the country.

He called upon the Honduran Government to move against guerrilla sanctuaries on its territory and added that he was hoping for a meeting with General Walter Lopez, the Honduran armed forces commander, to discuss means of avoiding border incidents between the two countries' armed forces.

Krugerrand
marketing
company
fails

By Jim Jones in Johannesburg

SOUTH AFRICA'S largest domestic seller of Krugerrands, the South African Gold Cota Exchange (Sage), has been placed under voluntary judicial management because it is unable to honour repurchase guarantees.

The move follows the announcement by InterGold, the Krugerrand marketing arm of the Chamber of Mines, that new Krugerrand sales fell worldwide in April.

Buyers had opted for the Canadian maple leaf gold coin, instead of the Krugerrand. As one of the subjects of a campaign against apartheid, the Krugerrand's American sales have been particularly affected.

The Sage has been a major factor in popularising Krugerrand sales in South Africa and claims to have about 20 per cent of the South African market in ordinary Krugerrands and about 70 per cent of the market in "proof" Krugerrands.

It is now seeking protection from a possible insolvency liability under guarantees to repurchase proof Krugerrands between May and October.

Proof Krugerrands are peculiar to South Africa. Normal Krugerrands are valued simply by reference to current gold prices, but proofs, the Sage has persuaded buyers are worth more because of their appearance.

The Sage provided buyers of proofs with fixed-price repurchase guarantees to back up its claim in the past few years, about \$2,500 South Africans have bought proof Krugerrands for over \$400 m, with an intrinsic value of \$200 m. The marketing of proof Krugerrands started in the U.S. late last year.

Portugal's
PSD elects
new leader

By Diana Smith in Lisbon

SE ANIBAL Cavaco e Silva has been elected the new leader of Portugal's ruling Social Democratic Party (PSD), junior partner in Mr Mario Soares' centre-left coalition—the third PSD leader in less than three months.

The outgoing PSD president, Sr Rui Machete, who is deputy premier and Minister of Defence, was unable to get enough party support to be a candidate for leadership.

The change in leadership poses serious problems for Mr Soares who has struggled for two years to keep the faltering coalition on the rails. Sr Cavaco e Silva is believed not to favour a continued relationship with the Socialists, but rather to want a breach and a clearer definition of the Social Democrats' role.

He was Finance Minister under the late Francisco Sa Carneiro and considered a particularly strong-willed and dynamic minister. His rise to the leadership raises questions about whether the present Finance Minister, Sr Francisco Lopes, can stay on in his post.

The differing points of view over the presidential elections, and the assertiveness of the new PSD leader, are likely to provoke a serious government crisis just as Portugal had begun to stabilise economically and regain confidence.

Swire Pacific Limited

Final dividends for the year ended
31st December 1984

Scrip Dividends

The average last dealt prices of the Company's shares on the stock exchanges in Hong Kong on which they are traded, for the five trading days up to and including 17th May 1985 were:

	HKS
'A' shares	24.20
'B' shares	3.86

In a letter to shareholders from the Chairman dated 1st May 1985, it was announced that the recommended final dividends for 1984 of 87.0c per 'A' share and 17.4c per 'B' share will take the form of scrip dividends to be satisfied by the issue of additional 'A' shares and additional 'B' shares respectively, but that shareholders will be able to elect to receive dividends in cash in respect of all or part of their shareholdings. It was further announced that entitlements to fractional shares will be disregarded and the benefit thereof will accrue to the Company.

Applying the average last dealt prices noted above, the number of new shares which shareholders will receive in respect of their existing shares for which elections to receive cash are not deposited by 24th May 1985 either with the Registrars in Hong Kong, or with the Registrars/Agents in the United Kingdom, will be calculated as follows:

For 'A' shares:			
Number of new 'A' shares to be received	=	Number of existing 'A' shares	× 0.870
			24.20
For 'B' shares:			
Number of new 'B' shares to be received	=	Number of existing 'B' shares	× 0.174
			3.86

and will be rounded down to the nearest whole number of new shares, fractional entitlements being disregarded.

Subject to the approval of the recommended final dividends by the shareholders at the annual general meeting of the Company to be held on 20th May 1985, certificates for the new 'A' shares and 'B' shares in respect of the scrip dividends, which will rank pari passu with the existing issued shares of the Company, and warrants for dividends where cash elections have been made, will be despatched to shareholders on 7th June 1985.

By order of the Board
JOHN SWIRE & SONS (H.K.) LIMITED
Secretaries

Hong Kong,
20th May, 1985.

Swire Pacific Limited
The Swire Group
Swire House, Hong Kong

IRISH GRANT POLICY REVIEWED

FitzGerald defends Hyster veto

BY BRENDAN KEENAN IN DUBLIN

THE IRISH Government will apply stricter criteria to grant aid to foreign companies in future, according to the Prime Minister, Dr Garret FitzGerald.

Dr FitzGerald was defending the decision to turn down a proposal agreed between the country's Industrial Development Authority (IDA) and Hyster of the U.S. to build a plant near Limerick employing 600 people.

The Prime Minister said that Irish governments in the past had abdicated their function of determining the policies to be operated, the circumstances in which grants would be paid, and the input needed from foreign companies locating in Ireland.

Decision
opposed

Hyster moved its investment to the Netherlands after the Irish Government asked the company to put up an extra £11m (£806,000) towards the cost of the project. Ministers claim the exchequer's total exposure was £11m, compared to only £1m by the company.

The IDA is clearly unhappy at the decision. It disagreed

The Irish Press Group, which publishes two Dublin dailies and a Sunday newspaper, has laid-off its 850 employees in a dispute over the introduction of new technology.

The management decided to close the papers, which have been making losses in recent years, after it failed to reach agreement on the introduction of computerised typesetting with members of the Irish Printers' Union which, along with the National Graphical Association, is the major print union in Irish newspapers.

Members of the union are balloting on the management proposals. Their leaders have recommended rejection of parts of the deal. The ballot results are not expected before Wednesday and the papers could be off the streets for at least a week. The Irish Press Group could lose £12m this year according to some reports.

Competitive
climate

IDA officials will be worried that this new, tougher stance, could damage Ireland's position in the increasingly competitive climate for mobile investment. IDA has always boasted that it offers "one stop shopping" and that a deal, once concluded, will be honoured.

In future, investors will have to wait to see if the Government approves the deal before it goes ahead.

FINANCIAL TIMES, USPS No 39060, published daily except Sundays and holidays. U.S. subscription rates \$320.00 per annum. Second class postage paid at New York, NY, and at additional mailing offices. POSTMASTER: send address changes to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

UK hopes of winning Soviet contracts fall after 'spy' expulsions

BY DAVID BUCHAN, EAST EUROPE CORRESPONDENT

BRITISH hopes of winning major new capital plant projects in the Soviet Union have sunk at least temporarily, following the expulsion of two Soviet ministerial missions to the UK, apparently in reaction to the British-initiated round of "spy" expulsions in mid-April.

The latest move is last week's Soviet request that the UK government request that the Soviet trade mission in London be expelled. The UK trade minister, Mr. Paul Channon, has not yet responded to the request. A Soviet deputy trade minister had been expected to lead the Soviet delegation in talks with the British side, led by Mr. Paul Channon, the UK trade minister.

Earlier, Mr. Vladimir Litov, the Soviet chemicals minister, had abruptly postponed arrangements for a trip to London in late April or early May. He had been expected to lead the Soviet delegation in talks with the British side, led by Mr. Paul Channon, the UK trade minister.

UK officials are, however, not yet describing the Soviet expulsions as a definite setback. British hopes of getting some of the mega-contracts envisaged in the forthcoming Soviet 1986-1990 plan had been riding high following a 65 per cent increase in British exports to the Soviet Union last year to \$735m and \$5.3bn (\$4.2bn) last year.

Norwegian groups may drill for Soviet oil

By Roy Gjester in Oslo

SEVERAL Norwegian oil companies have been invited to apply for a petroleum exploration licence in the Soviet sector of the Barents Sea, and at least one of them—Saga Petroleum—is considering acceptance.

An area in the middle of the Barents Sea is the subject of a long-standing boundary disagreement between Norway and the USSR, but the invitations to apply for licences are understood to concern the undisputed part. They have been issued not by the Soviet authorities but by a Norwegian-Finnish company, Pomor-Nordic Trade, which has close business links with the USSR.

Pomor-Nordic has apparently been told by the Russians that a joint licence application by itself and a Norwegian oil company would stand a good chance of being granted. It has established a petroleum offshore, Pomor OIL, and approached several Norwegian oil firms, though it will not say which.

Saga Petroleum has confirmed that it is among those approached, and that it is studying Pomor's offer. But it said it had not yet contacted Moscow.

Japanese in Thai fertiliser deal

BY BOONSONG KTHANA IN BANGKOK AND IAN RODGER IN LONDON

TWO JAPANESE consortia, headed by Chiyoda and C. Itoh and including Austrian and British contractors, have won the main contracts for building a \$250m (€200m) fertiliser complex in Thailand.

Thailand's partly state-owned National Fertiliser Corporation (NFC) has sent letters of intent worth \$138m to the two consortia. The first, headed by Chiyoda Chemical Engineering and Construction and including Marubeni of Japan and Vöest-Alpine of Austria, will build a 900 tons per day ammonia plant and two 1,000 tons per day urea plants for \$74m.

The other, headed by C. Itoh and including Davy McKee of Britain and Mitsui Engineering and Shipbuilding, will build a 2,180 tons a day sulphuric acid plant, a 720 tons a day phosphoric acid plant and related granulation plants for \$64m.

The contract values are roughly half those estimated by Foster Wheeler, NFC's consultant, indicating the fierce competition for work on the complex to be built in Rayong, the eastern seaboard province.

Negotiations on the third main contract, for buildings and off-site utilities, are in the final stage between NFC and

Dragados Y Construcción de España. The Spanish company has tentatively agreed to trim its bid to \$111m, against the \$224 originally estimated by Foster Wheeler.

The three contracts are expected to be signed in the next few months and the complex is due to be completed in December 1987.

Davy McKee said its portion was worth several million dollars. It will provide the basic engineering for the phosphoric acid and granulation plants and ancillaries and provide specialist technical supervision on and off the site for

those plants. It will also handle procurement in the UK.

One of China's biggest joint ventures, a proposed \$600m Sino-U.S. coal mining project, appears to be back on course after months of delay caused by a slump in coal prices and a dispute over wages, Reuters reports from Peking.

Occidental Petroleum and two Chinese organisations announced in a joint communique, quoted by the official New China News Agency (NCNA), they have agreed to sign a contract setting up the joint venture. NGNA said the agreement was expected to be signed before June 30.

Matsushita set for China joint venture

BY CARLA RAPAPORT

MATSUSHITA Electric Industrial, the world's largest electrical appliance manufacturer, is shortly expected to announce a \$300m (€250m) joint venture with the Chinese to build a television components factory near Peking.

The deal, which will be the Japanese company's first joint venture with China, results from the remarkable demand for colour televisions in China over the last few years. The market is expected to more than triple this year, from 2.5m sets in 1984 to an estimated 7.5m sets this year, a figure which rivals

Japan's domestic sales for colour TV sets.

Matsushita confirmed on Friday that it was negotiating with China National Electronics Devices on the proposed joint venture and hoped to reach a final agreement within the next month or two. Construction on the factory, which is expected to begin shortly after final agreement is signed, should take around two years.

The 50/50 joint venture will be between the Matsushita group and Beijing Electron Tube Factory. The initial plans call for the new factory to pro-

duce 1.5m cathode ray tubes annually for colour television assembly plants in Peking. China currently has 46 television assembly factories.

Matsushita's exports to China in the year ended last September totalled about ¥260m and are expected to nearly triple to ¥750m in the current year.

Items in heavy demand by the Chinese have been refrigerators, washing machines, and the whole range of electrical goods from calculators to video cassette recorders. Matsushita's best-known brand names include Panasonic, National,

Technics and Quasar.

The popularity of VCRs in China is believed to be one reason for the increased need for television components such as cathode ray tubes. China's television assembly plants have fallen behind demand in recent months because of the growing sales of VCRs.

Matsushita said it is currently evaluating numerous requests from China for the creation of further joint ventures for the production of a variety of appliances, including audio equipment, refrigerators and domestic appliances.

Nigeria to act on overdue trade debts

By Patti Waldmeir in Lagos

NIGERIA is planning to issue some \$530m (\$424m) in promissory notes next month as part of the protracted rescheduling of several billion dollars of its overdue trade debts, according to bankers.

Nigeria agreed over a year ago to reschedule uninsured trade debt arrears which had accumulated primarily in 1982-83, through the issue of six-year promissory notes to creditors. So far only \$329m in notes have actually been issued, out of total legitimate insured and uninsured debts estimated variously at between \$5bn and \$7bn.

A further \$434m in claims by export credit agencies have been approved by the Nigerian Government but a continuing stalemate between Nigeria and the agencies on terms of rescheduling the insured debts have meant that no notes have been issued to cover these debts.

Nigeria's planned timetable is to issue around \$530m in notes in June.

The timetable calls for a further \$1.6bn in notes to be issued in July and August. Bankers in Lagos said they were sceptical that their timetable could be met.

British exporters fear losing E. Europe deals

BY TOM SEALEY

BRITISH COMPANIES fear they are losing business in Eastern Europe because of extensive delays by the Department of Trade and Industry (DTI) in granting export licences for high-technology equipment covered by the CoCom strategic export controls. A recent submission to the Foreign Affairs Committee of the House of Commons by the government-backed East European Trade Council states: "The backlog in granting applications for export licences has reached almost overwhelming proportions."

The root of the problem appears to be changes in CoCom rules which were designed to make life easier for exporters by easing controls on less sensitive items. At the same time, however, the rules also defined more precisely the characteristics of sensitive and highly sensitive items. This approach has resulted in a far more complex set of rules, which require extensive technical knowledge and experience to interpret.

The number of applications has increased dramatically because of the apparent easing of the rules.

The net result is that some British exporters are waiting up to 11 months to get their applications approved by the DTI, which has belatedly recognised the problem and increased its staff to handle licence applications.

WORLD SHIPPING REPORT

Markets slacken further as summer tail-off begins

BY ANDREW FISHER, SHIPPING CORRESPONDENT

SHIPPING markets took on a more listless aspect last week under the influence of the usual summer tail-off in activity in the dry cargo sector, which saw an upturn earlier this year, rates tended to drift lower, while tanker trading was also slack.

Further evidence of the lull came in the news from Tokyo that the Ministry of Transport is looking at ways of bailing out debt-ridden Sanko Steamship.

Sanko's summer shipping world two years ago with its plans to order well over 100 bulk carriers from Japanese yards. Many of these have been delivered, though Sanko has been trying to obtain postponements for the rest.

To find work for the new ships, mostly in the handy-size range of 25,000-40,000 deadweight tons, Sanko has been undercutting prevailing and already low rates. Cumulative financial losses of Sanko are estimated at ¥145bn (\$485m).

In spite of the lacklustre state of shipping markets, slightly fewer ships were idle at the start of May than a month ago, according to the latest Lloyd's Monthly List of Laid up Vessels. The level at May 1 was 1,280 vessels of 63m deadweight tonnes against 1,312 at 64.1m dwt in April.

The tanker sector, where VLCCs (very large crude carriers) have long suffered from a trading malaise, showed the biggest improvement, with 338 ships of 52.6m dwt laid up compared with 343 of 53.6m the previous month.

World Economic Indicators

RETAIL PRICES (1980 = 100)				
	Mar. '85	Feb. '85	Jan. '85	Mar. '84
W. Germany	125.8	125.0	124.0	117.9
France	155.8	154.7	153.9	144.4
Italy	184.4	185.1	182.9	178.6
Netherlands	121.9	121.0	120.4	118.5
Belgium	139.8	138.7	137.2	132.2
Spain	127.5	127.4	126.4	130.9
U.S.	129.1	128.6	128.1	124.5
Japan	113.4	112.9	112.3	111.6

Sources: Eurostat

By Richard C. Hanson

Nomura prides itself in being customer-oriented, standing firmly on the twin pillars of sound research and a commitment to internationalisation.

At a time of deregulation and liberalisation across the world's financial markets, Nomura no longer distinguishes between domestic and foreign operations. A leading voice in Japan's own liberalisation, Nomura's corporate strategy is to integrate all activities into one internationalised operation.

In 1964, Nomura opened an office in London. Nomura International now co-ordinates the full range of financial services and research activities offered by the group throughout Europe. Hitoshi Tonomura, President of Nomura International Limited in London and a Director of the Nomura Securities Co., Ltd., Tokyo, discusses the management philosophy of the Nomura operation.

Hanson: What does liberalisation in the Japanese markets mean as far as Nomura is concerned in offering international services?

Tonomura: It is clear that the yen is becoming more international and increasingly important in the world's money markets. Along with this trend yen financing will become more easily available. Consequently, Nomura will be able to provide an even broader range of services to clients worldwide. For example, the lifting of the ban last December last on private non-resident companies issuing Euroyen resulted in 22 Euroyen bond issues totalling yen 478.5bn, of which Nomura underwrote 42%.

Hanson: What about future deregulation?

Trading in Foreign Shares

Tonomura: Deregulation implemented from 1st April is quite typical. Controls on those seeking capital by way of Euro and Samurai bonds were considerably eased, making such borrowing more attractive. Looking further ahead, if the present regulations governing both the listing and trading of non-Japanese equities on the Tokyo Stock Exchange are eased, the result would be very active trading in foreign equities by our Japanese clients. Nomura would then be able to place much more U.K. stock with Japanese investors. A good example of this is British Telecom; since last December Nomura has placed 180 million shares with Japanese investors, most of whom are still holding them.

Hanson: It appears that a Tokyo offshore market is now a possibility. What will it mean for Nomura if this becomes a reality?

Tonomura: I agree that a feasibility study is now underway, but the concept is still somewhat abstract. At this stage we are still not sure what impact it would have on Nomura, as it is not clear which type of offshore market may develop. For example, it could be like the London market which includes securities transactions or it may exclude them as in New York.

Hanson: Japan is currently the number one net lender to the rest of the world. How do you see the role of Japanese investors developing?

Tonomura: Statistically, in 1984 net investment by Japanese investors overseas was \$26.8bn, including equities and bonds. However, one has to distinguish between institutional and private investors. So far international diversification has been more or less limited to financial institutions. They have been mainly involved in bond investment and have been looking for higher yields, and therefore mainly involved in the U.S. markets. Private investors on the other hand have until recently been mainly domestic oriented. There was a short period in the seventies when private investors turned to the U.S. market because of the appreciation of the yen. However, as the trade surplus continues to capitol outflow from Japan will increase. From now on we can expect a marked increase in international investment by Japanese private investors and business corporations.

Hanson: I can see the argument for overseas investment under current circumstances, but do you expect this to be an ongoing trend?

Tonomura: Unless there is a major collapse of the dollar, net



Mr. Hitoshi Tonomura
President of Nomura International Limited and
Director of the Nomura Securities Co., Ltd.

in turn will lead to generally increased competition to achieve the business.

Hanson: Will you be able to compete in providing adequate information on overseas bonds under those circumstances?

The Strongest Link with Japan

Tonomura: I am sure that some foreign securities houses may be able to provide better information or service in some areas than we can. However, Nomura has the strongest link with the Japanese investors.

Hanson: So your international comparative advantage comes from having your home base where the surplus capital is?

Tonomura: In one sense that's correct. In another sense, although you do have to provide the services to match the opportunities! Our situation could be likened to that of the Swiss banks. They benefit from large assets that are deposited in Switzerland for safe-keeping. However, they have acquired the skills to cope with this; Nomura International should similarly become a bridge between the Eurodollar market on the one hand and Japanese savers on the other.

Hanson: What are the aims for Nomura International in London?

Two-Way Investment

Tonomura: In a nutshell, prompting two-way investment. In the early days in London, that is up until this decade, the primary emphasis was on promoting Japanese equities and bonds to European investors who were able to take advantage of the fast growth of Japan's economy. Now the situation has changed. With capital flowing from Japan to the U.S. and Euromarkets we are heavily involved from a brokerage standpoint.

Hanson: How do you see the underwriting side developing?



THE NOMURA SECURITIES CO., LTD.
TOKYO HEAD OFFICE
9-1, 1-chome, Nihonbashi, Chuo-ku, Tokyo 103, Japan
Tel: (03) 211-1811

NOMURA INTERNATIONAL LIMITED
Nomura House
24 Monument Street, London EC3R 8AJ
Tel: (01) 283-8811

Tonomura: Many Japanese companies wish to raise capital in Europe. Consequently, we extend our domestic service and bring them to the Euromarkets. On the other side of the coin many Western companies now, as a result of liberalisation, wish to raise capital through the Samurai bond market and in the Euroyen market. Consequently, Nomura is attempting to facilitate a more active Euroyen market which will see the development of many new instruments as liberalisation proceeds. We have already seen Euroyen CBs and we expect SBs for Japanese borrowers and perhaps even Euroyen FRNs.

Hanson: Does this mean that Nomura International now plays a larger role in the Nomura operation worldwide?

Tonomura: Yes. Up to a few years ago, Nomura in London was just a specialist house dealing in Japanese stocks and bonds. Since then we have diversified and we will continue to do so. We are able to provide a London perspective on international events and introduce U.K. based business to the Nomura Group as a whole. The City of London is in a strategic position. Its role as the centre of the Euromarkets is becoming well defined. It is internationalising at a fast pace and Nomura International is part of that international development.

Hanson: But surely Nomura is not truly internationalised in that your overseas offices are mainly run by expatriate Japanese staff?

Tonomura: That was probably true up until say five years ago. However, current staff levels in London are 260. Of these, 51 are expatriate Japanese, but 60 are Western professionals. On top of this we have been running a recruitment programme for graduates from leading universities worldwide over the last five years. This year in London alone we have just recruited 20 graduates who will join our International Training Centre in Tokyo. There they will train together with graduates employed by Nomura companies worldwide before returning to the office of origin. We are a service industry and rely on our staff. These young people alongside their Japanese counterparts are the Nomura of tomorrow. But even today, we have senior local staff, up to managing director level in our overseas operations. In my view, we are an internationalised company by virtue of the international nature of our customers, our services, our locations, and our staff. This has been a conscious strategy for many decades and is still regarded as a fundamental goal by our most senior management.

SPAREBANKEN

OSLO AKERSHUS

(Incorporated in the Kingdom of Norway)

Subordinated Floating Rate Notes due 1987

NOTICE IS HEREBY GIVEN that pursuant to Condition 4(b) of the Notes, Sparebanken Oslo Akershus (the "Company") has elected to redeem on June 21, 1985 (the "Redemption Date") all of its outstanding Subordinated Floating Rate Notes due 1987 (the "Notes") at a redemption price equal to the principal amount thereof plus interest accrued to the Redemption Date. The interest on the Notes will cease to accrue with effect from the Redemption Date.

The Notes should be presented and surrendered to the paying agents as shown on the Notes on the Redemption Date with all interest coupons maturing subsequent to said date.

Coupons due June 21, 1985 should be detached and presented for payment in the usual manner.

Sparebanken Oslo Akershus

May 20, 1985, By: Citibank, N.A.
London, Principal Paying Agent
(CSSI Dept.)

CITIBANK

UK NEWS

Union defies court with strike on London Tube

BY PHILIP BASSETT, LABOUR CORRESPONDENT

LEADERS of the National Union of Railwaymen (NUR) are on course for a serious collision with the law over the strike set for today in London's underground railway.

Officials of the NUR and London Regional Transport (LRT) held talks yesterday in an effort to avert the planned indefinite strike over management proposals to extend single-manned train operations. The strike threatens to disrupt considerably Tube services, on which about 2m people travel every week-day.

Today's threatened action has been called by the union without first balloting its 11,000 underground members as required by the Government's 1984 Trade Union Act. NUR leaders decided to go ahead with the action despite a High Court injunction obtained by LRT at the end of last week under the Act's pre-strike balloting provisions.

LRT officials warned yesterday that the legal action - one of the first taken by a nationalised industry under the Act - would go ahead. One said: "We are not bluffing."

LRT is likely to wait until it assesses the extent and impact of today's threatened strike before returning to court, although some management officials indicated yesterday that LRT might go back to court as early as tomorrow.

Proceedings for contempt of court would be brought against the 140,000-strong union if the strike goes ahead in defiance of the injunction, and the left-led NUR may also face action for damages under the Government's 1982 Employment Act.

Similar proceedings under the 1984 Act's balloting provisions were brought last year by Austin Rover against the Transport and General Workers' Union (TGWU), and the

union eventually had £200,000 seized from its funds to cover its failure to pay the fine.

LRT seems likely to press some form of legal action against the NUR, if only to maintain the credibility of its decision to seek a court injunction. Some NUR officials were warning yesterday that the industrial action might spread to British Rail mainline services if further legal steps were taken against the union.

The management forecast yesterday that many staff would refuse to support today's strike because of its clear illegality.

Prospects of averting the strike looked gloomy last night. Only the union's executive is empowered to call off the action. Some members of the NUR executive were standing by for an emergency meeting last night, but LRT reported that the NUR had told it that such a meeting was unlikely.

Nissan sets pay-deal precedent

BY OUR LABOUR CORRESPONDENT

NISSAN, the Japanese car company, is stipulating that all pay deals for employees at its new UK plant in the North-east of England should run for two years or more. It is thought to be a unique feature of a long-term British industrial relations agreement.

Broad outlines of Nissan's single-union deal with the Amalgamated Union of Engineering Workers (AUEW) - including what is virtually a no-strike clause - were announced last month when the company unveiled its terms, which are unprecedented for the UK motor industry.

Neither the company nor the union mentioned the fact that the written text of the agreement be-

tween them includes the provision that all pay deals should run for longer than the 12-month period traditional for UK industrial relations.

The overall agreement states of pay deals: "The company and the union recognise the value of agreements which last for two or more years and negotiations will normally be conducted on this basis."

The agreement rules out any additional claims: "There will be no economic claims made separately from the full contract negotiations." These will run from January 1.

Mr Peter Wickens, Nissan personnel director at the proposed Washington plant, stressed that the

importance of the deal with the AUEW was not necessarily the text of the agreement, but the atmosphere and philosophy of co-operation.

He said that the value of such long-term deals was twofold. It produced a greater predictability and stability of costs and its considerably reduced the amount of management time spent on negotiations.

Mr Joe Cellini, north-east divisional organiser of the AUEW, said yesterday that there was nothing sacrosanct about 12-month deals.

The potential benefits lay in what could be secured in negotiation, not in the timespan of the agreement.

Prices of privatised British Gas may be tied to retail index

BY DOMINIC LAWSON

THE GOVERNMENT'S regulation of gas prices charged by a privatised British Gas Corporation is likely to be based on a mechanism tied to the retail price index.

The alternative, which would be to limit the new company to a maximum return on assets, is likely to be rejected. This method, while common in the regulation of U.S. utilities, is thought less likely to encourage internal efficiencies.

When the Government announced the privatisation of British Gas a fortnight ago, Mr Peter Walker, the Energy Secretary, told MPs that a regulatory body would be set up to ensure that British Gas did not use its monopoly powers to the detriment of gas consumers.

A similar body, called Ofgas, was created last year to perform the same purpose with regard to British Telecom. The Government regards Ofgas as a model to be applied to the gas industry and refers to

"Ofgas" in internal documents about the proposed gas regulatory authority.

Ofgas enforces the observance by British Telecom of a price formula devised by the Government, which limits BT's price rises for inland calls and rentals. The limit is an average of 3 percentage points below the annual rise in the retail price index over the next five years.

A similar formula is likely to be applied to British Gas, although it may apply only to the corporation's sales to domestic customers, where inter-fuel competition is less fierce than it is in the industrial sector.

One of the chief aims of the policy is to force British Gas to squeeze greater efficiency out of its distribution network. The Government is also planning to make the privatised gas corporation issue separate accounts for its gas production, distribution and retail businesses.

See Page 14

European Ferries to order two new ships

By Andrew Fisher

EUROPEAN FERRIES is to order two new ships this autumn for the Dover to Calais route. They are unlikely to be built in Britain.

The ships, costing about £35m each, will form part of European Ferries' £100m fleet expansion programme. The company has 24 vessels.

New hull sections were launched in West Germany at the weekend, to enlarge two ships on the Dover to Zeebrugge route.

Speaking after the launch ceremony at the Schichau Unterweser yard in Bremerhaven, Mr Ken Siddle, chairman of European Ferries, said the group was talking to various yards, including British ones, about the proposed new ferries.

The group, which owns Townsend Thoresen ferry company, will probably build the ships in northern Europe.

"We would love to be able to build in Britain, but the chance of doing it is almost nil," he added.

The group is sceptical about the price and delivery records of UK yards, although Govan in Scotland recently won a £40m contract to build a big ferry for the North Sea. European Ferries' two new ships would have already paid for themselves by the time any new cross-Channel link was constructed. The tunnel will not be built for 10 years anyway, if at all, Mr Siddle said.

The ships being extended in Bremerhaven are the Free Enterprise VI and Free Enterprise VII. The hulls were welded together for launching but will be separated in dry dock further up river and added to the vessels. Two other ferries will be enlarged in this way.

The converted ships will still have capacity for about 1,000 passengers but will have space for 570 cars, 150 more than at present.

Coal Board meets over Nacods' overtime ban

BY OUR INDUSTRIAL STAFF

SENIOR officials of the National Coal Board (NCB) will meet today to discuss the fresh problems for the coal industry in the wake of the miners' strike as the overtime ban by the pit supervisors' union Nacods begins to bite.

Mr Ian MacGregor, NCB chairman, is to hold a meeting of the NCB executive. Mr Peter McNestry, Nacods general secretary, warned yesterday that coal production was likely to be delayed today by the ban.

The Nacods action is over what the union sees as an attack by the board on its agreement on pit clo-

tures reached last October during the miners' strike.

Mr McNestry forecast that there could be delays of up to two hours today at some pits, while maintenance and safety tasks normally carried out at weekends were performed. The effect of the action would be cumulative.

He said that Nacods members had dealt with a number of emergencies over the weekend, including a pit fire and flooding. But he added: "The reports we are receiving indicate that the ban has been effective." An NCB spokesman said its effects had not yet become clear.

UK returns to manufacturing low-cost portable radios

BY JASON CRISP

LOW-COST portable radios are to be manufactured in Britain again for the first time in years. A new radio, which will cost around £25, was unveiled in London yesterday by Ross Electronics, a small British company with a successful record in other audio products.

This is the week when the consumer electronics companies show off their wares to the trade at an annual show held in several London hotels, and inevitably dominated by Japanese and other Far Eastern companies.

Ross Electronics believes it has learned enough from the Far East to be able to turn back the tide with its new product.

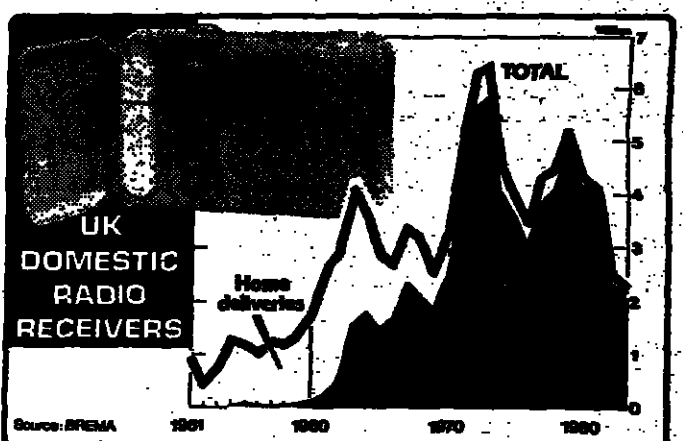
Far Eastern suppliers have dominated the mass market for radios for 20 years. While imports only accounted for one per cent of the British market in 1959, they rose to over 90 per cent in just five years.

Only Roberts Radios still makes portables in the UK, but these are expensive and not aimed at the mass market.

"We see this new set as signalling the rebirth of the British consumer electronics industry after many years dominated by Far East products," said Mr Ross Marks, founder and chief executive of Ross Electronics.

Ross Electronics, founded in 1972, claims to have over 50 per cent of the British market for headphones, which are sold through most of the leading retail chains either under its own or brand names. Until last year, Ross had its headphones made in Taiwan but has started manufacturing them in the UK.

In addition to saving on freight and duty, the company believes it can make them more cheaply in the



UK. The headphones and the new radio have been designed for capital intensive production. The labour content accounts for less than 10 per cent of the manufactured cost, says Mr Marks. One lesson he says he learned from the Far East was to sub-contract much of the production and not try to do everything in house.

Ross Electronics is launching the new radio into a flagging market. Demand for portable radios has fallen by over 60 per cent in the last ten years. This is partly because most homes already have at least one, but also because of the growth in demand for clock radios and combined radio and cassette players.

There has also been a tremendous boom in sales of personal cassette systems, like the Sony Walkman.

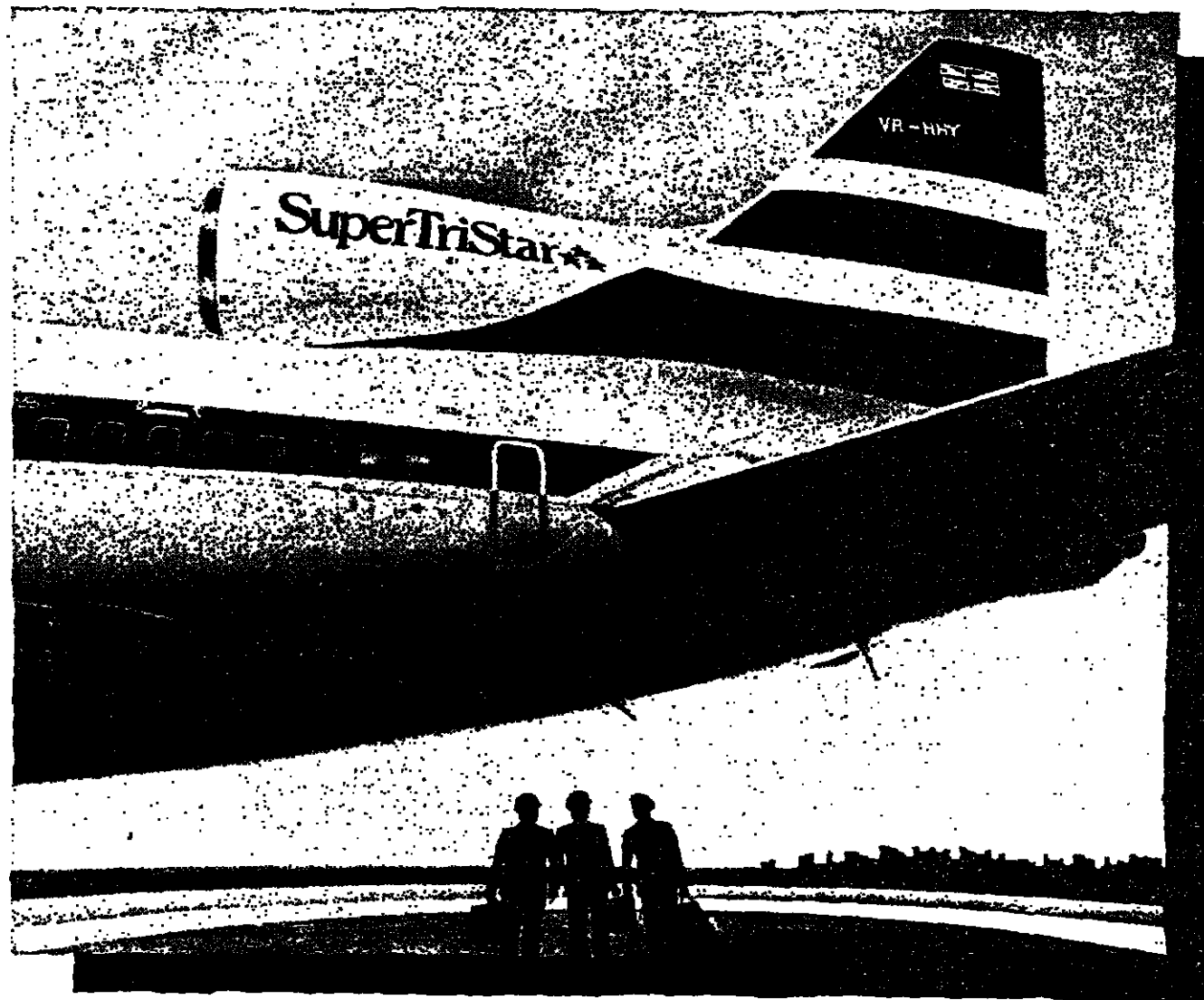
However, Mr Marks thinks there is now an opportunity. "There is a big gap for a very well designed radio which would suit all age groups

and would fit into every room in the house."

The result, designed by the Michael Peters Group, is a grey radio with rounded edges and a rather 1950s appearance. The tuning and other controls are hidden behind a flap, leaving only an on-off switch visible. This is because most people leave their radios tuned to a single station says, Ross Electronics.

Production begins in July, and the radio will become available in August. Mr Marks believes the only constraint on sales in the first year will be production which is expected to be between 50,000 and 100,000 sets. Exports will not begin until next year.

Mr Dick Roberts, chief executive of Roberts Radio, which imports its lower priced radios from Taiwan, said: "I'm delighted to see another British company manufacturing here. It should help component availability as we are not big enough to attract some of the specialist suppliers to the UK."



In the Far East, it's the next best thing to your private jet.

When you're rushing around the Far East on business, it's good to know there's an airline with a timetable and a network that can reduce the stress of travel to a minimum.

So while we can't quite promise the flexibility of having your own aircraft, Cathay Pacific can promise the most convenient schedules in the Far East and more flights to, through and from Hong Kong than any other airline.

We can also promise a relaxing journey and, what's even more important, a relaxed arrival.

Arrive in better shape

CATHAY PACIFIC
The Swire Group

CORRESPONDENT BANKING IN THE FINEST ROYAL TRADITION

A commitment to mutually rewarding correspondent banking.

Consolidated assets of some DM 100 billion.

Headquartered in Munich, the hub of Bavaria's growing technology-based economy.

Southern Germany's most extensive branch network.

HYPOBANK
Deutsche Hypothekendarlehenbank AG

Head Office: Theatinerstrasse 11, D-8000 Munich 2
Tel.: (0 88) 23 66-1, Tx: 5 286 525-27

UK NEWS

Consumer spending rise boosts order books

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

THE CONSUMER boom is beginning to translate into substantially higher orders for suppliers, according to a survey by the Confederation of British Industry (CBI) and the Financial Times.

The survey shows that the buoyant trend of retailers' sales is expected to continue this month, although business in April was not quite as good as had been expected a month earlier.

Mr John Salisse, chairman of the CBI's distributive trades survey panel, said: "The effect of this improved business in the shops, stores and supermarkets is now feeding through to suppliers, and boosting business for the wholesalers."

For two years, retail sales have continued to improve at a fairly rapid rate of around 4 per cent annually. But the output of British consumer goods manufacturers has been rising sluggishly.

This partly reflects rising exports, but as the CBI/FT survey suggests, distributors have consistently believed stock levels were too high, and the rise in orders appears to have lagged behind the rise in sales.

The survey showed that whole-

salers' business in April was better than had been expected, and they are forecasting that this month's sales level will be equally good. Most wholesalers are reporting sales levels well above this time last year.

The proportion of wholesalers expecting to increase orders placed on suppliers was much higher last month than the recent trend, and increased orders are also expected in May.

The exception to this buoyant trend is the outlook for builders' merchants and wholesalers of agricultural machinery, which are expecting sales to be lower than a year ago.

Agricultural machinery wholesalers' business has been hit by the reduction in capital allowances in April and the continuing adverse effect of milk quotas on farm spending. Builders merchants' sales were particularly buoyant at the same time last year in advance of the imposition of value-added tax on repairs and alterations.

The survey results showed that a balance of 52 per cent of retailers reported a higher sales volume in

April compared with 12 months earlier.

The balance is the percentage reporting an improvement minus the percentage reporting a decline. This was less than the improvement reported in March, but well in line with the recent trend.

The balance expecting an improvement in May was 59 per cent, the same as in February, but less than the 68 per cent balance expecting an improvement for April.

The balance of wholesalers reporting an improvement in April was 62 per cent, well up on the 25 to 35 per cent balances reported in recent months, and easily the best figure in the last 12 months. Almost the same proportion (61 per cent) of wholesalers was expecting an improvement this month.

The survey showed that a balance of 53 per cent of the wholesalers had increased orders placed on suppliers this month compared with only 12 per cent in March. This compares with an average balance of only about 14 per cent reporting an increase in orders over the previous 12 months. This rise in orders was substantially more than had been expected.

Mitel deal by BT disturbs OfTel

By Raymond Swoody

THE OFFICE of Telecommunications (OfTel) is seriously concerned that British Telecom's planned purchase of Mitel of Canada could reduce competition in the UK telecommunications market and damage competitors such as GEC and Plessey.

Professor Bryan Carsberg, director general of OfTel, the telecommunications regulatory body, said yesterday: "It is possible that this deal might have an anti-competitive effect on the UK market. This is something we take very seriously."

OfTel and the Office of Fair Trading are working on a paper on the purchase which could ultimately go to the Monopolies and Mergers Commission.

BT announced an agreement in principle to pay £180m for a 51 per cent stake in Mitel, which specialises in small private telephone exchanges (PBXs), on May 10. Prof Carsberg said the obvious worry was that BT would purchase equipment from Mitel at the expense of other suppliers such as GEC and Plessey "in the most extreme position other suppliers could be very seriously weakened. That is the kind of thing we want to guard against," he said.

OfTel might decide, through the OFT, to oppose the Mitel merger but Prof Carsberg thinks that is the least likely option.

"The deal mainly affects overseas markets and the UK end of it is fairly small," Prof Carsberg said. OfTel is likely to seek undertakings from BT to prevent the Mitel acquisition having anti-competitive consequences in the UK.

OfTel is considering three main possibilities:

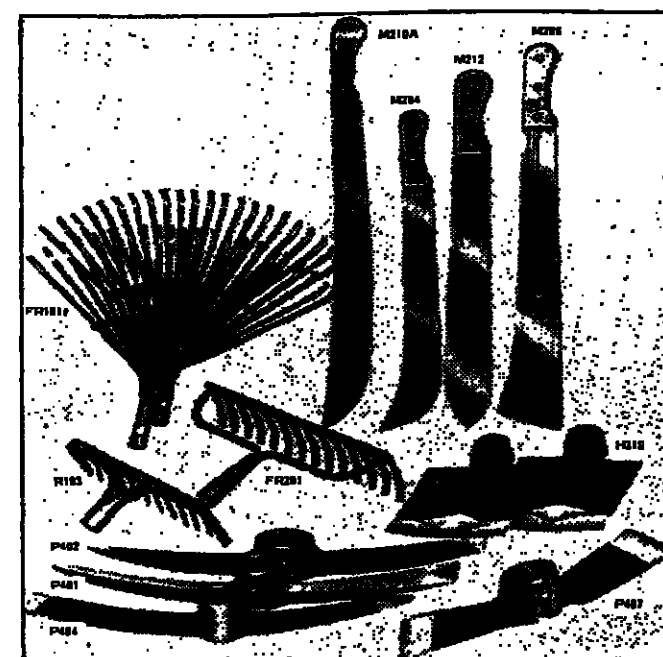
● A limit on the number of lines or on the share of the total market that BT can supply from Mitel manufactured equipment.

● Require BT to have open tenders on all subscriber exchange equipment.

● That BT should be required to hive off the UK manufacturing arm of Mitel. The Canadian company employs 800 at Calicut in South Wales.

A further less drastic option, Prof Carsberg believes, might be to require BT to bring in a minority shareholder to turn Mitel's UK operations into a joint venture.

Quality Agricultural Implements from Liaoning, China

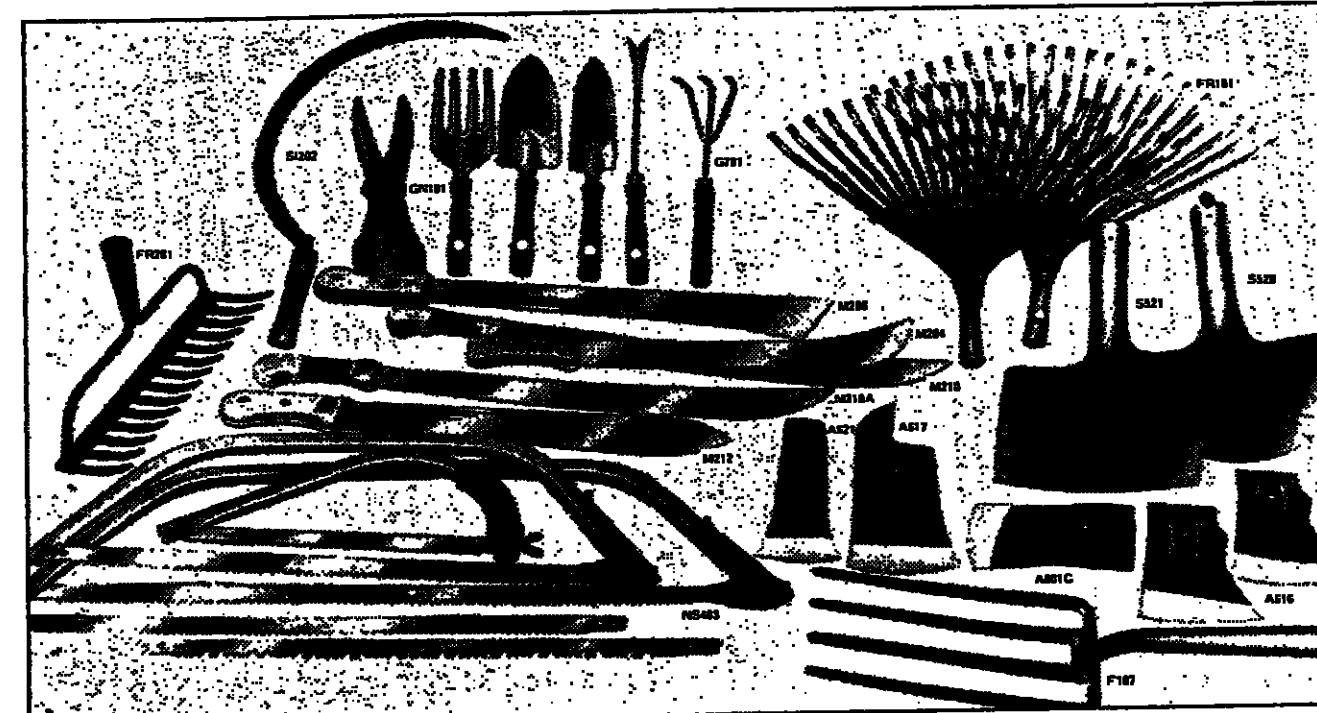


We export under "Deer", "Butterfly" and "Double-Spear" Brands various agricultural implements such as shovels with handle, forks with handle, manure forks, splitting wedges, rake heads, steel picks, hoes, matchets, orchard tools, garden tools, wheel-barrows and sprayers.

Liaoning quality agricultural implements are well designed, made of good quality materials and with superb workmanship. They come in a complete range of specifications and a wide choice of varieties, all sturdy, durable, and handy to use.

Liaoning agricultural implements are manufactured by Dan Dong Shi Dong Gou Hardware & Tool Works, Liaoning, China.

We accept both ready and forward contracts. We can also manufacture to buyers' designs or samples. Orders are welcome.



China National Machinery Import & Export Corp., Liaoning Branch
135 Stalin Road, Dalian, China.
Cables: "MACHIMPEX" Dalian Telex: 86157 DCMC CN

MPs rebel over shop hours

BY JOHN HUNT, PARLIAMENTARY STAFF

THE GOVERNMENT faces a revolt of backbench Conservative MPs in the House of Commons tonight over its proposal to permit shops to trade on Sundays and to legalise late opening during the week.

The trouble is expected to be contained, however, and the Government's proposal approved because of a concession to be offered by Mr Leon Brittan, the Home Secretary.

He will announce that the Government will introduce safeguards against dismissal of staff who refuse to work Sundays on religious grounds. But this will only apply to staff who have been working for a retailer for at least a year before the restrictions are abolished.

Originally it was anticipated that between 30 and 40 Conservative MPs would vote against tonight's government motion which accepts the Auld Committee report recommending a change in the law.

The motion accepts the case for the removal of legislative limita-

tions on shop hours and welcomes government legislation on it.

It is now thought that only about 15 Conservatives will vote against the Government with a larger number abstaining. This means that the motion is likely to be approved and that a short Bill liberalising shop hours will be introduced in the autumn.

The Labour Party has put down an amendment to protect the hours and conditions of shopworkers. On the main government motion, however, it is allowing its members a free vote.

Labour MPs are believed to be divided on the subject and many will vote for a change in hours. Mr Brittan's "conscience clause" concession will not be enough to appease many of the opponents within his own party. It still means that retailers will be able to make it a condition of employment for new workers that they will be required to work on Sundays.

Much of the opposition to the proposals is based on religious grounds and a considerable number of Conservatives are angry that they are under party orders to vote with the Government instead of being allowed the traditional free vote on such a subject.

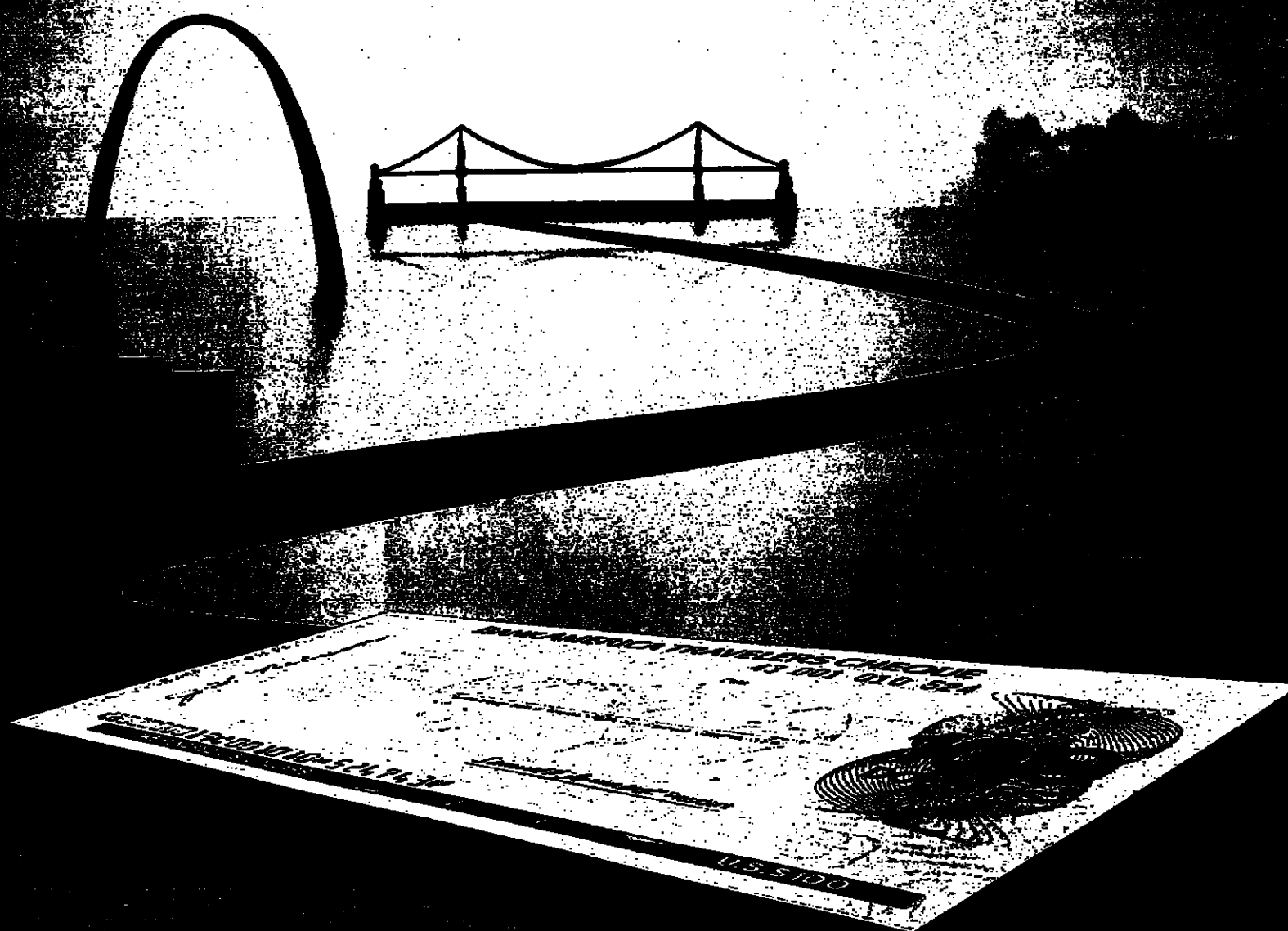
Mr Ivor Stannbrook, a Conservative MP, thought it "quite disgraceful" that a free vote was not being permitted and said he would vote against the proposal.

He predicted that it would mean that the traditional Sunday would disappear. It would be bad for employees' morale and would not increase employment overall.

● The chairmen of five of Britain's leading retail groups are today writing to all Conservative MPs giving an assurance that existing employees will not be forced to work on a Sunday if the law is changed.

The groups are Habitat/Mothercare, Woolworth, Asda, Hargreys/Queensway and W. H. Smith.

ERICA FOR TRAVEL TO AMERICA



UK NEWS

Testing time for rail engineer

Andrew Fisher looks at how British Rail Engineering is cutting its workforce and seeking to boost exports as prospects for orders at home have faded.

THE 1980s is proving a tough decade for British Rail Engineering (BRE), the big repair, maintenance and construction company which has been continually shedding jobs and searching for foreign business as its domestic prospects have faded.

The latest announcement of a further 4,800 jobs to go over the next two years, with the shattering news of total closure of the Swindon repair works in Wiltshire by March 1986, came as a bitter blow to the workforce.

Five years ago BRE, part of British Rail and being studied for possible privatisation, employed 35,000 people. Its turnover exceeds £400m a year. The workforce will fall to little more than 20,000 early in 1987 and turnover is expected to drop below £400m.

The reasons for BRE's dwindling size, although it still makes profits, are linked with BR's growing investment in new trains for suburban and regional services. Not only does this mean that less and less regular maintenance work on existing rolling stock of up to 25 years old is needed, but the new trains are more robust and efficient and can thus be more intensively used.

There are no guarantees that the job cuts have now finally come to an end. "The repair business is very volatile and we can make no predictions beyond what we have already said", Mr Geoff James, BRE's manufacturing director, said.

Through the 1980s, redundancies have been announced steadily at BRE, which shut its Ashford, Kent, site in 1981 with nearly 1,000 job losses. In the following year, BRE said it needed to shed 6,000 jobs and the Shildon works in County Durham went straight on the danger list.

Shildon, which employed 2,500 people, finally closed last year. The

workshops at Temple Mills, East London, and Horwich in Greater Manchester have also shut, though the latter's foundry remains. The brunt of the latest cuts will fall on Swindon and Springburn in Glasgow, but remaining works at Crewe, Derby, Doncaster, York, Eastleigh (near Southampton), and elsewhere will also suffer.

Last year, BR placed orders for £120m worth of new rolling stock, mostly for Suburban, provincial and rural lines. The new types of local train such as the Railbus - a lightweight diesel rail vehicle based on a Leyland bus body - and the Class 159 Sprinter (a suburban diesel train) contain modern materials such as plastics and do not need constant attention like the old ones, now being withdrawn, which contained wood.

The whole technique of the way machines are now put together means that looking after them is a lot less labour intensive, Mr James said. BR has said it wants new electric and diesel locomotives for routes to Scotland, as well as

freight services, and for London and other suburban networks.

BRE will be up against General Electric (GEC) and Brush (part of Hawker Siddeley) in the UK and foreign companies in the tendering for the new BR trains, though it has so far held its own under competitive tendering. BRE has said it will need some 1,500 locomotives in the next 25 years, costing £1.5bn at current prices.

In its drive to double export sales, BRE has shown its wares, like the Railbus and the international passenger carriage which is adaptable to wider foreign track gauges, to many potential overseas customers. It sees South East Asia and Africa as its most likely markets, adding also to sell more in those European markets not dominated by local manufacturers.

It has run demonstrations in the U.S., where it hopes to break through Buy American-type attitudes, and Scandinavia. The company also has prospects of new business for Railbuses from Thailand, Malaysia, and Indonesia.

BRE has exported since the early 1970s, largely winning orders from the former French African countries of Gabon and Congo. As the 1970s drew to a close, it found it was being undercut by such countries as South Korea, India and Spain. So it is now pinning its export hopes on the higher technology trains and coaches developed with both home and foreign markets in mind.

RAF order may be worth over £70m

BY LYNTON MCLEIN

BIDS HAVE been invited for one of the most potentially lucrative defence electronics contracts in the UK, worth between £70m and £100m to the winner.

Four groups of companies in the defence electronics sector were invited by the Ministry of Defence to submit ideas for providing a computer-based command, control and information system (CCIS), for the new headquarters of RAF Strike Command at High Wycombe, Buckinghamshire.

The successful group is likely to stand a good chance of winning follow-on contracts for Nato air command control systems for continental Europe. These future contracts are likely to be worth billions of dollars, according to some of the companies interested in bidding.

Only one of the groups, led by Thorn EMI Electronics and Software Sciences, has shown its hand so far. Software Sciences is part of the information technology product group of Thorn EMI. The other companies in the Thorn EMI Electronics consortium bidding for the contract are the Control Data Corporation of the U.S., acting through its UK subsidiary Control Devices, and Seicon, part of British Petroleum.

The other competing bidders are understood to include Marconi, Plessey and ICI, according to Whitehall sources.

All bidders have to submit their proposals and costs in about nine weeks.

The system is to be designed to provide senior RAF personnel with a comprehensive management network. This will link the headquarters of RAF Strike Command with a top-secret, standard headquarters site and with RAF and USAF stations around the UK. The system will be able to operate with other UK and Nato radar and communications systems.

One of the aims of the system is to provide RAF commanders with information on all aspects of the air space above and around the UK. This will enable commanders to develop comprehensive strategic plans for military action in UK air space.

This will take in every aspect of operations from perceived threats, the status of defending aircraft, their positions and capabilities and the movements of incoming aircraft from the U.S. at times of international tension in Europe.

The new CCIS capability will link with the UK air defence ground environment radar and anti-aircraft missile network and with airborne radars such as the Nimrod early warning aircraft.

Group to study political influence on Whitehall

BY SUE CAMERON

A SMALL group of top politicians and civil servants is being set up to look at the so-called politicisation of Whitehall.

The group, which is being established by the Royal Institute of Public Administration (RIPA), includes Mr David Howell, the former Conservative Energy Secretary, Lord Barnett, former Labour Chief Secretary to the Treasury, Lord Donoghue, a member of the Prime Minister's policy unit during the last Labour Government, and Sir Kenneth Chiles, former permanent secretary at the Department of Trade and Industry.

Members of the group will have two main tasks. The first will be to find out whether or not politicians are exercising a growing influence over the recruitment and promotion of civil servants. The second will be to decide whether "greater" political influence is or is not desirable and should or should not be encouraged.

The institute said at the weekend that the group would be concentrating on the second of these questions. It said that members of the new group would also be looking at the possibility of introducing new rules for civil servants and politicians

that "would strike a reasonable balance between allowing a desirable degree of 'politicisation' and maintaining the strength of a career service."

Arrangements in other countries, such as France, West Germany and the U.S. - where politicians tend to have much greater control over civil service careers than in Britain - would be reviewed.

Dr William Plowden, director general of RIPA, said the group was hoping to produce a report and recommendations by the end of this year. He said there were fears that Britain might "drift" into a situation where politicians exercised far greater control than formerly over civil servants and their careers.

He said that there was a risk of future UK governments becoming "increasingly jumpy" about the top civil servants they had inherited from a previous administration.

ICI and Ocel venture

BY TONY JACKSON

ICI and Associated Ocel, a leading producer of anti-knock compounds for petrol, are to enter the market for diesel fuel additives.

A plant owned by ICI subsidiary Nobel's Explosives, at Stevenston in Ayrshire, Scotland, is to be converted to production of cetane improvers, with the product to be marketed by Ocel.

Cetane improvers, which upgrade the performances of diesel fuel, are produced by a number of companies in Europe and the U.S.

Oil producers including Shell, Texaco and Mobil - claims to be the world's largest producer of lead alkyl anti-knock compounds. The decision to move into non-lead based additives is prompted by impending legislation against lead in petrol.

The switch in production at ICI's plant will not create jobs but will involve unspecified amount of capital investment. The plant, claimed to be world-scale in capacity, is to come on-stream in the last quarter of 1985.

The Sun also sets.

If all you want on your holiday is sunshine, you're too easily satisfied. You're also fortunate, because the world is full of places, some nice and some quite nasty, that can give you what you seek.

But what will you do when you've had enough sun?

And what will you do when it sets?

A holiday should be a pleasure at any hour you favour, under the sun or the stars, in your choice of landscape, whether you're active or sedentary, culture-minded or hedonistic.

If you agree with us, and want your holiday to satisfy all of your senses and sensibilities, read on about Spain.

The mountains or the shore?

Spain has plenty of both. Our mountains, among the highest in Europe, offer some of the world's best and least crowded skiing. There's great climbing, too, and every other mountain sport in season.

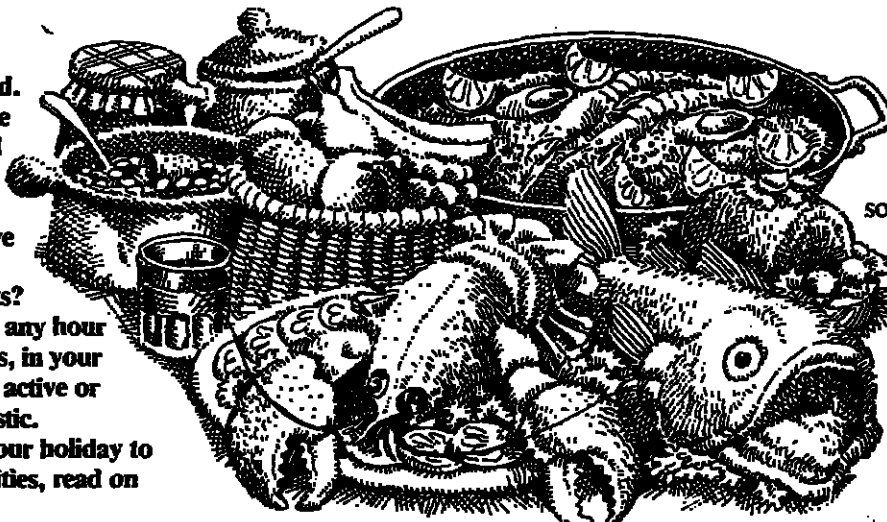
As for the shore, take your choice of beaches from nearly 6,000 Km. of coastline.

Have a great Spanish holiday at sky level or at sea level.

It's up (or down) to you.

What if you sunburn easily?

Spend part of each day indoors. In shops, for instance, selling choice leather, lace, porcelains, antiques and art. Or come indoors to see things money can't buy. In the great museums of



regional wines keep them perfect company.

By the time you've savored the last of your Spanish brandy, you will have had a late night. And the fun is only starting.

Enjoy our longest, latest nights.

At Spanish fiestas, the party seldom stops until sunrise.

And at many, not until two or three sunrises have passed.

No matter when you come to Spain, you will find a fiesta somewhere. There are literally hundreds throughout the year. Some are simple Saints' days in little village squares. But these are often wonderful for their intimacy, the welcome given to strangers and their sense of natural, unplanned gaiety.

Others are spectacles, elaborately staged and wardrobe. See processions, mock battles, floral decoration competitions, wine harvests or solemnly impressive holy days. Or watch the breaking of wild horses or the showing of exquisitely trained horses. Or see the running of the bulls at the St. Fermin fiesta in Pamplona, made famous by Hemingway.



Every fiesta is a party, and you're invited to them all.

What's to do at night between fiestas?

If night clubs, casinos, ballet, opera, jazz, folk music, discos, rock music and flamenco dancers don't interest you, there really isn't very much.

Perhaps people-watching at an outdoor cafe while sipping a rare sherry might catch your imagination. Or you could just go to your room and read a book.

Speaking of rooms...

Spain offers every kind of accommodation, from simple country inns to world-class deluxe hotels.

Some of our most modern hotels are in some of our most ancient buildings. Many castles and other historic landmarks have been converted with ingenuity and elegance, featuring art and furnishings of their periods. Interestingly, even our newest and most fashionable resort hotels use traditional Spanish architectural themes and decor, so you never have that modern sense of déjà vu found in the usual "international" resort.

We have heard that one young woman, asked where she went on her holiday, replied "I don't know. We flew." Never in Spain.



This long ad is far too short.

If you're interested in visiting Spain, there's much more you'll want to know.

Such as details on your personal interests. Where you can golf or charter a boat or hunt for game, for example. Or how to follow the route of Don Quixote. Or where the Paradores, our national tourist inns, are located.

We have booklets and brochures on practically everything.

Visit your nearest Spanish National Tourist Office or mail the coupon below to tell us what you're interested in.

Whatever it is, you'll find it in Spain, where there's everything under the sun.

Secretaría General de Turismo
María de Molina, 50
28006 Madrid, Spain.

Please tell me where I can find everything under the sun.

Name

Address

City

Country

I am interested in:

.....

.....

.....

Spain. Everything under the sun.



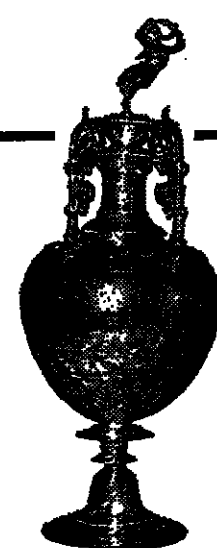
Hard luck Everton. We've pulled off the Treble.



LEAGUE CHAMPIONS
'MONEY MANAGEMENT'
10 YEAR TERM



LEAGUE CHAMPIONS
'MONEY MANAGEMENT'
15 YEAR TERM



LEAGUE CHAMPIONS
'MONEY MANAGEMENT'
25 YEAR TERM

Good try lads. But you just couldn't turn in a performance as consistent and skilful as ours.

We've come top of all three leagues in Money Management's 'With Profits Performance Survey.'

Our investment team is over the moon. No life assurance company has topped all three tables before.

No doubt the others are feeling as sick as parrots.

Ask your insurance adviser for the survey, or write to us at 150 St. Vincent Street, Glasgow G2 5NQ.

We're pleased with its results. Just don't expect us to kiss, cuddle or parade in an open-top bus.



MASSEY-FERGUSON, a company that in the early 1980s became synonymous with financial crisis and industrial blight, has outwitted the pessimists and begun to show a bit of its old lustre.

For a few weeks in 1980, the Toronto-based farm equipment and diesel engines group seemed to be the main headache of many leading North American and European bankers as well as the British and Canadian Governments. But last year, after five years of losses, massive rationalisation and injections of \$1.3bn from two financial restructurings, it recorded a modest profit of \$7.2m.

That may not seem much for a company with sales of \$1.5bn, but in the deeply depressed farm equipment industry, it makes Massey appear one of the more soundly based competitors.

Indeed, the directors are sufficiently confident to begin looking for growth through acquisitions. Victor Rice, Massey's ebullient chairman, says the group's bankers "are not yet at the stage of active encouragement, but they're not saying 'No'."

All this is a long way from the dark days of December 1980 when an international conclave of bankers and government officials struggled to find a refinancing formula while receivers were being prepared to take over at any moment. Many argued then that Massey should have been broken up, and some are still bitter that governments enabled it to survive.

Massey's difficulties first emerged in the mid-1970s, when a complacent Canadian management team was slow to respond to a slump in world markets. Borrowings rose ominously, but the Toronto-based Argus investment group, which then had the controlling shareholding, would not approve a new equity issue. Argus did not want to subscribe for more equity itself but neither did it want to see its holding diluted.

By mid-1978, Massey's borrowings had reached \$1.3bn supported by shareholders' funds of only \$650m, and a normal equity financing was no longer possible. Rice, then 37 and a former comptroller of the Perkins Engines subsidiary who had risen to become a Massey vice-president in 1977, was hurriedly brought in as president with a mandate to cut costs and extract the group from a disastrous move into the construction equipment industry.

But before he could get very far, farm equipment markets worsened and the group staggered through 1979 and 1980, unable to keep pace with its

Farm machinery

A little lustre returns to the Massey-Ferguson image

BY IAN RODGER AND BERNARD SIMON



MASSEY-FERGUSON

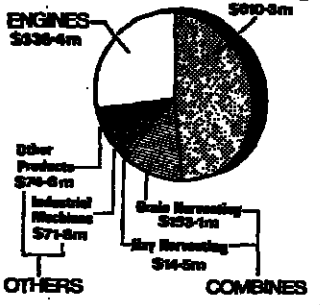
MAJOR WORLD TRACTOR MARKETS 1984

Market and units	MF share %	rank	Other major competitors and share
U.S. (442,000)	9	4	John Deere 10% Case 10% Ford 9%
W. Europe (252,000)	13.5	5	Fiat 10% IH 10% New Holland 10% Ford 10%
France (142,000)	22	4	Case 10% Fiat 10% IH 10%
W. Germany (142,000)	5	6	Case 10% Fiat 10% IH 10%
Italy (142,000)	22	3	Fiat 10% New Holland 10%
U.S. (442,000)	9	4	John Deere 10% Case 10% Ford 9%
Other (252,000)	20	3	Case 10% Fiat 10% IH 10%
World (2,500,000)	12.5	5	John Deere 10% Case 10% Ford 9%

*Figures include 40 horsepower and above, excluding combine harvesters and Japan

SALES

1985 Year end Jan.



declining fortune. By the end of 1980, borrowings had mushroomed to \$2.6bn, 4.6 times the level of shareholders' funds.

In retrospect, the group was helped by running into trouble sooner than its rivals, such as International Harvester, and having to develop a plan for dealing with it. "Right at the height of our problems in 1979, we decided to sit down and develop our first ever strategic plan," Rice, the son of a London chimney sweep, recalls. "There was many a morning I came into the office and didn't know whether we were going to survive until lunchtime. Then the poor strategic planning guy would come in and say, 'we've got this 1987 plan.'"

The previous management had a rather romantic view of Massey as a uniquely international company, and had set out on a grandiose programme to make farm equipment all over the world. Rice knew, even before the further drastic decline in markets in the early 1980s, that his main task would be what he calls "downsizing."

The group has closed 18 factories since 1978, including two in the U.S. reduced its equity stakes in several overseas affiliates, and sold its main construction equipment business, Hanomag, in West Germany.

Total employment has been slashed from 68,000 to 20,000. Even so, the contraction has only barely kept pace with the slump in sales and revenue. Massey's tractor output has plunged from 168,000 units in 1978 to only 108,000 last year. Perkins' diesel engine output (excluding licensees) dropped from 245,000 units in 1980 to 129,000 last year. Since 1979, group revenues have almost exactly halved.

However, Massey has managed more or less to maintain its position in its sectors. It still claims to be the world leader in tractors, with a 17.2 per cent share of units sold, down from 20 per cent in the late 1970s. (Deere is the industry's revenue leader because its tractors tend to be very large and are sold mainly in the U.S.) Perkins' share of the diesel markets in which it operates is down from 13 per cent in 1980 to 11 per cent.

Jim Felker, president of Massey's tractor division, claims not to be surprised by the group's resilience. "Let's face it. Those companies that are serious competitors in this business are all equally competent. So for all the discounting and shenanigans we have had, things don't change that much."

His concern is that there are

still too many makers of farm equipment in a market that looks set to go nowhere. "The outlook is absolutely flat," he says, pointing to growing unhappiness in the U.S. and the European Community about farm support programmes. Felker believes the policy reviews under way in both areas, not to mention trade battles, could go on for years, thus undermining farmers' confidence and their unwillingness to invest in new equipment. Meanwhile, in third world countries, where Massey is strongest, liquidity problems will hurt sales for some time to come.

Massey's response is to work harder than ever to become more competitive so that it can win a bigger share of a smaller market. Thus, the drive to cut costs goes on. But the big push today, both at Massey and at Perkins, is to be more responsive to customer needs. "Massey used to be an arrogant company," Felker says. "We got into a state of thinking success was eternal." Now the company bends over backwards to serve customers. In harvest seasons, it makes service hotlines 24 hours a day to help farmers keep equipment going. It actively solicits farmers' ideas on product improvements and claims that 17 of the 35 changes

made to its large tractors in the past two years have come from that source. Both Massey and Perkins are investing heavily in automating their plants so that they can respond quickly even to small orders.

Massey used to make everything it sold, but now it buys low volume products. Last year, it closed a combine plant at Marquette, France and arranged to have combines made for it instead by a Danish company. More recently, a French company has been commissioned to make balers. Within Massey's remaining factories, nothing is produced until a firm order for it is received.

Some competitors suggest disastrously that Massey will soon be little more than a market-making company, but that seems an exaggeration. Felker acknowledges that he and his colleagues look very closely at their factories. "I view assets as a cost problem," he says. "If you have assets, they attract costs—to store them, repair them, deliver them, and so on. Controlling assets is a good way to control your breakeven point."

But the rundown at MF has probably come to an end, and the remaining set-up is, by any measure, very large. The group has four tractor factories, each with an increasingly specialised

mandate. The Coventry plant, the largest tractor factory in the world, makes models from 38 to 95 horsepower. At Beauvais in France, the company makes 70 to 160 hp models; at Fabbriano in Italy, it makes Landini tractors and some MF models; and at Brantford in Canada it makes combines and very large tractors for the North American market. Perkins has consolidated its manufacturing except for the recently acquired large engine line, at the Peterborough works in England.

The directors believe the group still has enough capacity to meet any unanticipated upturn in demand or opportunity to raise market shares and, for once, they seem to be looking more for the latter than the former.

At long last, it looks as if something like a shakeout is happening in the world tractor industry. The breakthrough came last year when IH, enriched by a boom year in its truck business, could afford to get out of farm equipment, and so sold out to J. I. Case. Case has been hurrying to rationalise the product lines and dealer networks of the two, but their combined market share has taken a beating in the past few months.

More recently, Deutz of West Germany has bought the farm equipment business of Allis Chalmers in the U.S. and there are fresh rumours of Ford tractors merging with the New Holland combine business of Sperry.

With change already in the air, other producers, especially the national ones in Europe, may reconsider whether it is worth carrying on. Renault, for example, is strong only in the French market and the new management there has more than enough problems with the car business and may want to get out of tractors. Similarly, Fendt of West Germany. Same of Italy and Steyr of Austria seem to fare well only in their home markets. Only Fiat has progressed in the past decade. It is now second only to MF in units sold worldwide and has decisively captured the European market leadership with a 15.9 per cent share. (MF is second with 11.5 per cent.)

What these and other potential movements in the industry mean to Massey remains to be seen. The only fairly certain thing is that the group will survive, and that in itself is still controversial.

In Britain, where Massey's technological roots and its main tractor and diesel plants are located, there is still considerable bitterness about the mess the Canadians made and how

the businesses were starved of investment for a long time. Both Massey and Perkins are major British employers and exporters, and some government and City experts would have preferred to break up the group in 1980 and rebuild it under British control.

Massey officials argued at the time that the farm machinery side was so international—with companies, factories, borrowings and sales in several countries—that it would have been difficult to reconstruct and probably even as costly as rescuing the existing group. And at a time of depressed demand and cut-throat competition, the inevitable loss of confidence accompanying a bankruptcy could have badly damaged or even killed the MF brand.

With hindsight now providing a view of four more years of depressed markets, they were almost certainly right. It is difficult to see how any new investor could have made a success of all or any part of a once-failed MF farm machinery business. But as things have turned out, it has maintained its industry leadership. True, it has lost a lot of market share in Europe, but it has gained ground in the U.S. and the third world.

In any event, Massey is once again moving forward, making small profits and investing in the future. (In so doing, it has become another bit of evidence for those interested in seeing changes made in Britain's bankruptcy laws.) Last year, the banks and governments, which still have a majority shareholding and \$637m in loans with the group, allowed it to acquire the Rolle-Royce diesel engine business from Vickers for £20m to widen Perkins' range.

Rice and his colleagues are looking for other acquisitions to reduce the group's dependence on the dreary farm equipment industry, but they will probably stick close to the engineering areas they know well. They are, for example, very proud of their Pacoma hydraulic components business in West Germany which supplies over 100 OEMs.

But before going too far, the group will probably try to sort out its heavy and complex capital structure. Net borrowings of \$675m are still more than double shareholders' equity of \$310.4m and the group frequently finds itself in default of the liquidity requirements of some of its loan agreements. It would be bizarre indeed if one of these defaults were to push the group over the edge now.

Business courses

The Agricultural holdings act. Conference, June 12. London. Fee: members £123 + VAT, non-members £145 + VAT. Details from ESC, Kirby House, 31 High Street, Uppingham, Rutland, Leicestershire, LE15 9PY. Tel: (0572) 822711.

One-day seminars. London, June 4; Leeds, June 10. Fee: £120 plus VAT non-members. Details from BIEL Conference Department, British Computer Society, 13 Mansfield Street, London W1M 0BF. Tel: 01-637 0471.

World electronics-global market approach. London, June 18 and 19. Fee: £450 plus VAT. Details from FT Conference Organisation, Minister House, Arthur Street, London EC4R 9AX. Tel: 01-621 1555.

Design for marketing. Half-day seminar. London, June 6. Fee: £50. Details from The Marketing Society, Derwent House, 35 South Park Road, London SW19 3RR.

Career paths in tomorrow's organisation. Uxbridge, June 19 and 20. Fee: £275. Details from the Secretary, Management Programme, Brunel University, Uxbridge, Middlesex UB8 3PH. Tel: (0895) 56461 ext. 215.

Brand marketing programme. London, June 26. Fee: £975. Details from the London Business School, Sussex Place, Regents Park, London NW1. Tel: 01-262 5050.

The sixth paper and pulp conference. London, June 10 & 11. Fee: £440 plus VAT. Enquiries to: FT Conference Organisation, Minister House, Arthur Street, London EC4R 9AX. Tel: 01-621 1555.

Setting up your own business. (Small business workshops, sponsored by Business & Industry Fellowship and the Manpower Services Commission). Huntingdon, July 21 & 22. Details from Stuart Beckwith, Small Business Training, PO Box 46, Globe House, Street, Chesham, Bucks HP8 1TY. (0295) 850585.

Strategies for innovation. London, June 26. Fee: £224.25. Details from Charlotte Sharr, FIBEX, 55 Catherine Place, London SW1E 6DY. Tel: 01-493 0000.

Making your money grow. Leicester, July 7-10. Fee: £77. Details from Investment Course, c/o Conference Manager, Conference Offices, Leicester University, Leicester LE1 7RH.

Advertisement for Wang Office Assistant featuring images of a word processor, typewriter, computer, and a person using the device, with the text 'A word processor? A typewriter? A computer? Or a miracle? £1995'.

The Wang Office Assistant is the answer to every secretary's prayers. Yet at £1,995, it should also come as quite a relief to bosses.

For that you'll get a word processor that doubles as a typewriter [ask your secretary how useful that is for doing forms and envelopes as well as lengthy documents].

You'll also get a computer. Marvellous for sales forecasts, stock inventory, profit projection and helping your secretary do your expenses.

And you'll get a machine that can be operated by anyone who can type. Who said the age of miracles was past!

WANG

Form for requesting a Wang Office Assistant, including fields for Name, Address, Telephone, and a section for 'THE WANG OFFICE ASSISTANT'.

The first assistant for secretaries.

Notice of Redemption and Expiration of Conversion Rights

ISE Finance Holdings S.A.

4 1/2% Sinking Fund Debentures Due 1986

(Convertible on and after January 1, 1987 into Common Stock of International Telephone and Telegraph Corporation)

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of March 1, 1966, as amended, under which the above described Debentures were issued, ISE Finance Holdings S.A. has called all of its 4 1/2% Sinking Fund Debentures due 1986 for redemption on June 14, 1985 (the "Redemption Date"). The Debentures will be redeemed at 100% of the principal amount thereof plus accrued interest to the redemption date.

The Debentures will become due and payable, and Upon Presentation and Surrender Thereof (with all coupons appertaining thereto, maturing after March 1, 1985), will be paid on said redemption date at the Beneficial Services Department, 5th Floor of Citibank, N.A., 111 Wall Street, New York, N.Y. 10043, at the offices of Citibank, N.A., in London and Paris, or at the office of Societe Generale de Banque S.A. in Brussels, Dresdner Bank Aktiengesellschaft in Frankfurt and Banque Generale du Luxembourg in Luxembourg, as the Company's Paying Agents. On and after said redemption date, interest on said Debentures will cease to accrue.

The Debentures may be converted at the option of the holders thereof and at the principal amount thereof into fully-paid and non-assessable shares of Common Stock of International Telephone and Telegraph Corporation ("ITT") at the conversion price of \$40.45 per share upon delivery of such Debentures to any of the offices above accompanied by written notice addressed to ITT electing to convert such Debentures and stating the name(s), address of the person(s) for registration of the shares of Common Stock and whether such person(s) is (are) beneficial owner(s) or is (are) an alien(s) to the United States, with all unattached coupons appertaining thereto attached, at any time until the close of business on said redemption date. Upon conversion of any Debenture, no payment or adjustment on account of interest accrued on any Debenture so converted or on account of any dividends on the Common Stock delivered upon conversion will be made and no fractional shares of Common Stock will be issued. AT THE CLOSE OF BUSINESS ON SAID REDEMPTION DATE SUCH CONVERSION RIGHTS WILL TERMINATE.

NOTICE

Withholding of 20% of gross redemption proceeds of any payment made within the United States is required by the Interest and Dividend Compliance Act of 1983 unless the Paying Agent has the correct tax identification number (social security or employer identification number) or exemption certificate of the Payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent when presenting your securities.

ISE FINANCE HOLDINGS S.A. By: Citibank, N.A. as Trustee

May 13, 1985

ADVERTISEMENTS FROM AHNUI PROVINCE CHINA

A number of advertisements from Anhui have been placed within the pages of the Anhui survey in today's issue. Should you require further information from these companies, please indicate in the boxes provided below. Your requests will then be forwarded to the individual organisations concerned.

TO: Simon Timmis, Financial Times, Bracken House, 10 Cannon Street, London EC4A 3DF.

- China National Arts and Crafts I/E Corp—Anhui Branch
- China National Cereals, Oils and Foodstuffs I/E Corp—Anhui Branch
- China Silk Corporation—Anhui Branch
- China National Textiles I/E Corp—Anhui Branch
- China National Native Products and Animal By-Products I/E Corp—Anhui Branch
- China National Native Products and Animal By-Products I/E Corp—Anhui Branch
- China National Metals and Minerals I/E Corp—Anhui Branch
- China National Chemicals I/E Corp—Anhui Branch
- China National Native Products and Animal By-Products I/E Corp—Anhui Branch
- China National Machinery and Equipment I/E Corp—Anhui Branch
- China National Light Industrial Products I/E Corp—Anhui Branch

Name _____ Position _____ Company _____ Address _____



Awarded to our policyholders

Prudential with-profits policyholders have cause to celebrate yet again.

Because the 1985 bonus declaration is another new record – the biggest-ever in our history.

The results show why the Prudential

is not only Britain's largest life assurance group, but is also one of the most successful.

You can find out more about our winning ways from your local Prudential office. You'll find us in your phone book.

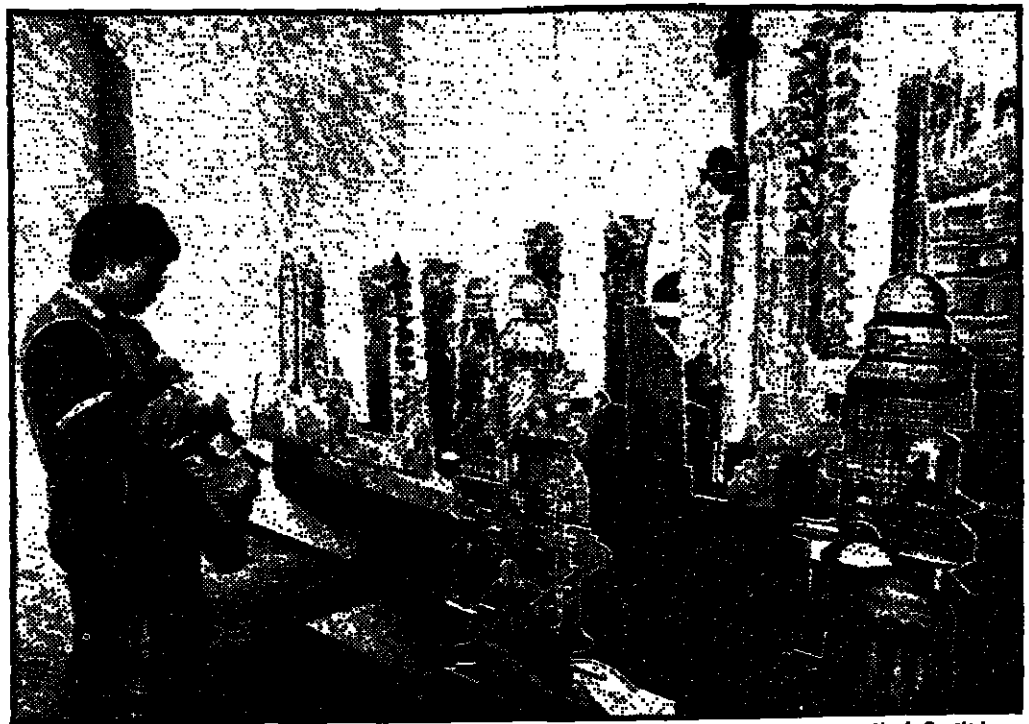
Prudential

It's a great life with Prudential life.

THE ARTS

Architecture/Colin Amery

Cook's half-baked ideas



Peter Cook's "City of Towers," part of the exhibition soon to be seen in Milan, Vienna and Tokyo

Peter Cook is a very fine draughtsman. His drawings of the past 21 years were shown recently at the Architectural Association and are off on a tour of the world, starting in Milan. He is undoubtedly an industrial figure, both as a teacher here and in Germany, and as an artist. But he has built practically nothing (praise the Lord), although his vision can be seen behind things like the Centre Pompidou in Paris, our own dear Lloyd's building in the City, and the future BBC premises that might be erected on the site of the Langham Hotel in central London.

This suggests a powerful personality who has been a background influence since he founded Archigram in 1961 and Art Net in 1973. To meet Mr Cook with his green glasses and modest manner, it is hard to imagine that you are talking to a man who is almost 50 and who is now Professor of Architecture at the Städelschule in Frankfurt. It is much more like talking to a friendly boffin who enjoys reading the *Eagle* and watching *Blade Runners*.

His vision has hardly changed in 21 years. It seems, instead of developing, to take rather long rests and then to resume more or less where it started. I find the rest periods, when he contemplates nature, much the most satisfying—a respite from the manic desire to erect towers and "plug-in cities".

What Cook does is to consider

the widest possibilities for the urban future and then make visionary drawings to demonstrate what it might all look like. There is indeed plenty of room for visionaries—they do not need to build. Cook is too modest when he says that he is "only the service industry to the real thing." His premise when he was running Archigram was always "Why not?" It is this exciting view, that anything is possible, which he communicates engagingly to his students. Many of them are hooked for life on the abstract idea that everything can be manipulated. I find it interesting that there is never the slightest hint of a human being in any of his drawings.

Very, very occasionally there are these little anti-like creatures hanging precariously over balconies. In something called the *Plug-In University*, these poor devils are apparently creeping into black holes that punctuate an intestinal structure. In one of the schemes of the Seventies, *Hedgehog City*, a mass of unpleasant mechanical appliances lurks in the undergrowth ready to consume and process any passing suburb. I was reminded immediately of the publicity for Milton Keynes and, indeed, in some cases of the reality.

Think of a leisure centre, an ice rink with a suspended roof hanging from asts, or a plastic dome swimming pool, and you have the lowest common

denominators of this man's vision. In his proposed Arcadian City, Cook is not so shy as one expects him to be. He identifies with his magazine collages some of the likely inhabitants: "left people," elderly Viennese people, "sleek people." But surely this is just a rather bored architect doing what TV commercials and the *Searchlight* can do so much better. How curious it is that the moment there is any contact with life, Cook loses his deft touch.

There is nothing deft about the prose in the beautifully produced folio that can be obtained as a souvenir of the exhibition from the Architectural Association's excellent Triangle Bookshop. It is worth quoting an example. The latest scheme is one called *Skyward City* (how they love that old style: *Reynier, Banham, sleek*).

"Skyward City suggests a series of building types and expressive devices combining to form a free flowing city. The conditions allow for vertical organisation and close packing; it is not suburban. The drawings examine a 100-metre cube, within which lies a series of paths running from side to side at various tangential angles. Each path (in plan) is a series of connected, overlapping, and elevational extension is called a *waft*—the word has connotations of free flow across space and some implication of dynamic action through the air. Each waft, specially identified

with a type of function and of architectural expression, is very different from the next. This is a deliberate attempt to clarify the project at an early stage; later, these types combine and transmute."

So, there you have it. The danger of Mr Cook does not lie in his well executed drawings. It lies in half-baked ideas made to look plausible by his skilled graphic techniques. They are absurdly juvenile, and look like a mad vision of the worst parts of Tokyo. It is a relief to know that his influence is waning on the younger generation of architectural students.

There was another indulgent event at the Architectural Association last week. Hans Hollein, the Austrian architect and this year's winner of the lucrative Pritzker prize (modern architecture's Nobel) lectured to the students for nearly three hours. I was there for only half the time but it was enough to sense the obvious talent of this architect—and also the intense megalomania that makes him want to tour the world boring his audiences with ill-constructed and tedious lectures.

He is a good architect. Like many other interesting architects, he would be well advised to keep off the international guru circuit and concentrate on his buildings. He has a distinctive gift for creating a modern architecture that is decorative and, at the same time, precise.

The renovation of Perchtoldsdorf Town Hall in Austria dates from the mid-Seventies but it is still effective in Hollein's relaxed decorative motifs. The new museum in Monchengladbach looks complex inside and monumental on the outside. Like Tamas Stirling Hollein has left behind the loony sort of modernism practiced by architects like Peter Cook. It is in their sort of understanding and interpretation of the collage of history that Hollein can be forgiven his boring lecture style by the liveliness of his architecture.

While we worry and wait over the fate of Mansion House Square in the City, are we looking at the great frescoes in the Vatican? I have just read an account of a march in New York last Thursday by artists who claim that "the Sistine Chapel frescoes by Michelangelo are being faded, scuffed, cleaned, in short, massacred, by the scientific methods now applied at the Vatican." Surely, if this is the case there should be some timely discussion. Why total silence in London?

The Mysteries/Lyceum

Martin Hoyle

The road to paradise is paved with parrot and goes by way of Mecca. The entertainment chain has let the National Theatre's medieval compendium cross the river to the Lyceum, whose Edwardian splendour is, aesthetically speaking, as far as you can get from the Cottesloe.

The smoky murk of the original production remains, still pierced by homely stars made from dangle cheese-graters, tea-urns, dustbins and paraffin-stoves. Along the side walls Cottesloe-type tiered scaffolding grazes the full-bodied gilt of empty boxes, forsaken altars of billowing gesso whose flaking, fardiness disappears high in the darkness.

The body of the auditorium is now floored flush with the stage whose area is identifiable only by the proscenium arch soaring into the dark. Disappointingly, this is not quite Irving's theatre. The present

interior dates from shortly after his tenure; but Sir Henry's shade would recognise the scale, ambition and it must be said, the artificiality of the present incumbents.

Bill Bryden, the producer, and the poet Tony Harrison aim to recreate the involvement of medieval audiences. Local artisans lent their skills, the local population provided the cast, and the style of storytelling was rooted firmly in everyday life.

Thus Brian Glover (the over-familiar spectacle of a York-shireman claiming to be God), addressing us in broad Northern tones, is immediately recognisable in his mixture of the heartily avuncular and the rough diamond as the voice that launched a thousand TV commercials. This is neither unfair nor irrelevant, given the production's search for a frame of reference parallel to medieval popular culture.

There are in fact no parallels

to be drawn between the unquestioning faith that permeated every aspect of life for the simple and unlettered, and a performance by highly-trained professional actors who probably have little religious knowledge and less faith. The production falls back on externalities. A terrible archness is born.

This artificiality is exemplified by the occasional clash of acting styles. In the opening play of the trilogy, *The Nativity*, Derek Thompson's Gabriel and Phil Langham's Shepherd are notably successful at stiltedly intoning their lines as if learnt parrot-fashion. In fact they play non-actors acting a part. Historically correct, this extra layer of artifice merely serves to distance us from the play, especially as some of the company play it straight.

Given the inevitable results of a basically illogical premise (at best quaint, at worst patronising), the cycle emerges as a random series of individual per-

formances and isolated theatrical strokes. Adam and Eve emerge as a scallop-shaped sand-pit that is in fact a ten-stringed conga led by Barry Foster's wheedling Lucifer. David Roper's sharp-suited Mak nicks a lamb from the fatigued shepherds from Harriott country. The Annunciation thrills as folk-rock pounds out and Gabriel in the gallery turns his burnished glass to deflect the spotlight round the house.

The *Passion*, the middle play, depends more on straight-forward narrative than variety of character or event. Accordingly it suffers from the combination of tricky acoustics, variable accents and archaic speech patterns that make the script with bibulous *Explanations* for instance, unintelligible and flat, despite Paul Moriarty's energetic mugging. On the other hand, the actual Crucifixion scene, the cycle emerges as a random series of individual per-

formances and isolated theatrical strokes. Adam and Eve emerge as a scallop-shaped sand-pit that is in fact a ten-stringed conga led by Barry Foster's wheedling Lucifer. David Roper's sharp-suited Mak nicks a lamb from the fatigued shepherds from Harriott country. The Annunciation thrills as folk-rock pounds out and Gabriel in the gallery turns his burnished glass to deflect the spotlight round the house.

The *Passion*, the middle play, depends more on straight-forward narrative than variety of character or event. Accordingly it suffers from the combination of tricky acoustics, variable accents and archaic speech patterns that make the script with bibulous *Explanations* for instance, unintelligible and flat, despite Paul Moriarty's energetic mugging. On the other hand, the actual Crucifixion scene, the cycle emerges as a random series of individual per-

Henry V/Barbican

B. A. Young

Henry V is a soldier's play. Duff Cooper suggested that Shakespeare's "missing years" were spent in the army, and he certainly has an interesting knowledge of how soldiers talk and behave. Most of this play is set on or near battlefields, and Bob Crowley's designs seldom suggest the colour and luxury that might well have followed a 15th-century monarch into the field. The French nobles are better treated as far as their clothes and their armour are concerned, and the Constable, the Dauphin and the Duke of Orleans are resplendently golden as they await the morning of Agincourt.

The stage is for the most part bare of anything but smoke. At one point we are even caught in a prolonged shower from which the troops carry no other. Even in the final scene with Katharine he is quietly turned out, and this is in accordance with Mr Branagh's characterisation. This is no dashing hero leading his army into victory with Churchillian periods. It is the Prince from the earlier plays, given larger opportunities for his antics, tricking Cambridge,

Scoop and Grey into their deaths, condemning Bardolph to be hanged (he is here strangled in the royal presence), tricking the unhappy Williams. His big speeches are spoken with great clarity and intelligence, but there is never a hint of display. A very fine performance, I thought.

Bernard Horsfall plays Pistol as a hoodigan beginning to age, and Patricia Routledge's Mistress Quickly has a positively grandmotherly look. She does her bit about Falstaff's death very nicely. Though there is nothing wrong with the playing, the idea of casting an actress as the Boy is disastrous, especially when he is given so much singing.

The captains in the army are a colourful lot. Sir John Probert's Fluellen especially, though I don't believe he would have been dancing so prettily after Agincourt. On the other hand, the battle itself is shown, excellently in almost balletic terms, with never a sword clashed between the two armies, and perhaps some of the troops found it catching. MacMorris (Geoffrey Freshwater) pops up through a trap, one of his mines having blown him out.

The first time we see Katharine (Cecile Paul), she is a young girl in a white frock, dancing happily around as she learns her English. Without Tears. She has not grown up for her engagement, but she has certainly learnt dignity, and looks ravishing.

Ian McKinnon spoke the choruses in a highly musical manner that was, I'm sure, what the director wanted, but not what I did.

Hanover Band/Elizabeth Hall

Stanley Sadie

A price sometimes has to be paid for authenticity. The Hanover Band, who played music by the Viennese classical composers at the Elizabeth Hall on Thursday, also followed the period convention (as several other groups do not) of dispensing with a conductor and playing follow-my-leader. This perhaps puts too heavy a responsibility on Monica Huggett, whom we all know and admire as an excellent violinist but whose sonorous imagination does not always seem to communicate itself to us through the orchestra she directs.

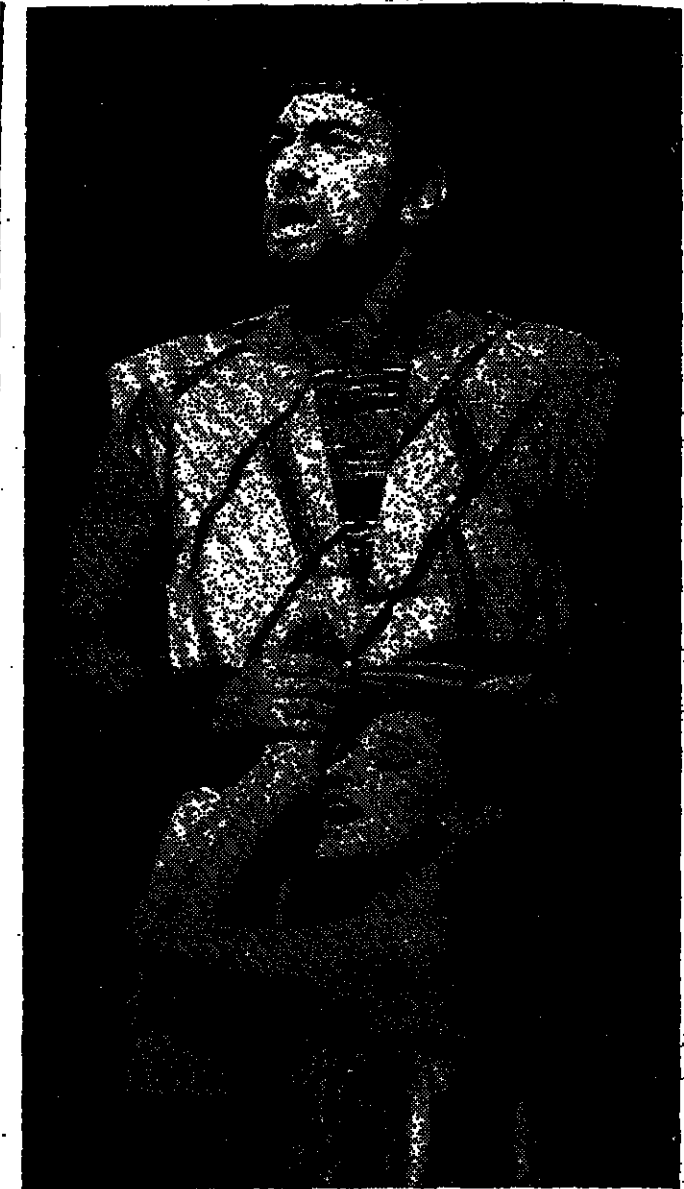
The result was performances markedly deficient in shape and character. In symphonies by Haydn and Beethoven the playing lacked any kind of profile, events succeeded one another

cheerfully enough but with no sense of symphonic logic or architecture. The orchestra especially would have profited from some pointing up of detail, some careful placing of accents, some moulding of the climaxes. It was all very busy, busy, busy, the quick movements but curiously wanting in real energy, while the slow movement was oddly innocuous—all those fascinating changes of texture, even the distant modulations at the beginning of the development, passed by without any meaning.

That it is more difficult to give shape and redress to performances without a conductor is not in question; indeed it is likely that some of our "authentic" groups who do use conductors over-rehearse and over-rehearse and thus as this "Basicly Beethoven" series continues (this was the second concert of eight, of which four are orchestral) Ms Huggett may establish better communications with the band. It is a small group for the repertoire: the strings (5.4.3.2) produce a thin sound, though this may not be wholly a matter of numbers.

Unwisely, and unauthentically, Ms Huggett has the first and second seated together, which makes ensemble easier but gives a poor spread of sound and rules out the antiphonal effects that composers of this period constantly employed. She needs to give more care to articulation: the main theme of the finale of the Haydn "Military" Symphony was made nonsensical because the final note of every phrase was skipped and virtually inaudible. And though there were some excellent wind soloists there were too many sour notes and too many blobs.

Between the symphonies Henry Herford sang arias from three Viennese operas. He has a pleasant, warm bass and an attractive vein of humour which showed up in Papageno's first song (although he and the orchestra seemed to find it hard to agree on a tempo).



Plácido Domingo and Agnes Baltsa

Samson et Dalila/Covent Garden

Andrew Clements

With the dust scarcely settled on its recent production of *Samson*, the Royal Opera on Friday brought back into the repertoire Saint-Saëns' version of the story in the staging by Elijah Moshinsky and Sidney Nolan first seen in 1981. Where Moshinsky's relocation of Handel's dramatic oratorio was one of its more problematic aspects, the sense of period and place in his *Samson et Dalila* remains one of its strengths. Nolan's vivid backdrops and earthy red interiors create a consistent and memorable visual image, and this still seems one of the most successfully designed of recent Covent Garden productions.

It has been revived once before, two years ago, when the principals were Jon Vickers and Shirley Verrett, replacing their roles, and Georges Prétre conducted. This time Colin Davis takes charge, again. Plácido Domingo sings Samson for the first time in London, and Agnes Baltsa Dalila for the first time anywhere. The result takes the evening into a very superior class of musical achievement indeed, with singing from both of unblemished splendour underpinned by highly refined orchestral playing. Whether one rates the musical worth of the score highly or not, the sheer accomplishment of these performances is hard to resist.

Domingo's portrayal is worlds away from Vickers' massive, physically threatening Samson, which he carried over into the Handel production. Domingo is unavoidably heroic, noble of bearing in the opening act (though he was slow to warm at the start in "Arretez, O mes freres"), passionately impulsive in the second, restrained in the third. There is little of the Aaron rather than a Moses, able to let his artistry and seductive tone do his persuading for him, and a fine match in vocal alliance to Miss Baltsa's infinitely subtle Dalila, who uses her smoky lower register to marvellous effect.

Nothing at all is obvious about her characterisation and it is all the more fascinating for it, even the tautening of Samson in the third act seems to be done with profound misgivings, her attitude to the High Priest deeply ambivalent. Without the beauty of her singing in purely technical terms it would have been a notably searching account of the role, that added it becomes quite outstanding.

Davis supports his singers with great care; there is no empty rhetoric or specious exotism even in the dance interludes in the first and third acts where the ensemble and control of the Opera House Orchestra are remarkable in themselves. I am not convinced the production handles the chorus in a genuinely purposeful way, but its singing is always vigorous and the remainder of the cast includes Jonathan Summers repeating his finely drawn High Priest and a new Abimelech from Roderick Earle, slightly too obviously a demon king for my taste but not given much scope by the production. The honours go, however, to Baltsa and Domingo.

Saleroom/Antony Thorncroft

Jewels with histories

Jewels, which for thousands of years have been fought over by men, worshipped by women and the subject of fantasy by poets, have become in recent years very prosaic objects, prized and priced according to the weight of the stones. Indeed, for a period in the late 1970s diamonds, in particular, were looked upon mainly as an investment, with dire consequences.

But next Thursday Sotheby's is attempting to bring back the glamour which it calls "jewels for the collector." This consists mainly of 19th-century jewels in their original settings—not, as is the case with most expensive jewels, re-fashioned in modern workshops. This is jewellery that is still redolent of the original owners, and where design is more important than the stones.

What is likely to be the most expensive lot, with a top estimate of £150,000, epitomises the idea. It is a diamond necklace, made around 1820 and almost certainly given to the Lady Conyngham of the day by King George IV. She was his mistress and, according to the gossip of the time, was given jewels valued then at £200,000. During the king's last illness, she is said to have had two wagon loads of silver and jewellery removed into her keeping. The present Marquess of Conyngham is selling the necklace.

Another necklace has such a curious history that Sotheby's jewel experts go coy when asked about its origins. It is from the 18th century—very few of these have survived in their original settings—and a pink diamond pendant was added in the 19th century. The lady disposing of it thought the pink gem set a few thousand, but that the pink diamond reduced

its value. The very reverse is the case and the lot, too, should sell for £150,000.

There is an important group of jewellery made by the celebrated names of the late 19th century—Giuliano and Castellani. The very rare Froment Meurice. All are estimated at less than £3,000, and at low prices for intricately worked and decorative pieces. While the very rich might need the protection of flashy, big stones, the modestly wealthy are starting to appreciate jewels created by craftsmen.

The sale contains many oddities—a carved cameo of Dionysus of 1700 mounted as a brooch around 1800; a late 18th-century hardstone and diamond seal, with the figure of a crowned negro, perhaps made for Toussaint L'Ouverture who led the revolt of the slaves in Haiti in 1791; and a very rare mid-18th-century emerald and diamond brooch pendant, probably from Spain, in fashion in jewels changed slowly.

GLC aids two fringe theatres

Two London fringe theatres have had their future secured through GLC grants after losing Arts Council subsidy. The King's Head in Islington is to receive £55,000 and the Croydon Warehouse, £40,000. The King's Head has a tradition of transfers to the West End—*Look to the Rainbow* has just opened at the Apollo—but the Warehouse is celebrating its first such move. Its production of *The Marriage of Figaro* transfers to the Ambassadors on June 3.

A.T.

Arts Guide

Music

PARIS
Murray Perahia, piano recital (Wed).
Théâtre des Champs-Élysées (723 4777).
Leningrad Philharmonic Orchestra conducted by Marius Jansons, Grigori Sokolov, Soloists: Beethoven, Tchaikovsky (Thu), Palais des Congrès (756 2226, 756 2202).
Novel Orchestra Philharmonique conducted by Marek Janowski: Haydn, R. Strauss (Thu), Radio France Grand Auditorium (524 1516).

VIENNA
Vienna Philharmonic Orchestra conducted by Leonard Bernstein, Wagner: Staatsoper (33 24 26 55).
Royal Philharmonic Orchestra conducted by Yehudi Menuhin, violin: Bach, Elgar and Brahms, Konzerthaus (Wed).
Amadeus Quartet: Brahms and Wolf: Konzerthaus Mozart Saal (Wed).

WEST GERMANY
Santgart, Liedertalle: Dallas Symphony Orchestra conducted by Eduardo Mata with James Galway, flute, Schubert, Griffes, Rodrigo and Mahler (Mon).
Bertha Philharmonic: Dallas Symphony Orchestra as above, Bartok replaces Mahler (Tue).

ITALY
Rome, Oratorio del Gonfalone: Vico della Scimia 1/8 (Via Giulia); Harichordist Narciso de Roberto

playing 20 sonatas by Domenico Scarlatti (Thu) (555 952).
Milan: Teatro alla Scala: The Scala Philharmonic Orchestra conducted by Seiji Ozawa with the violinist Vladimir Mullov, Stravinsky (Mon) (501129).

NETHERLANDS
Rotterdam: De Doelen. Arto Kijfer, organ (Mon); Leningrad Philharmonic under Marius Jansons, with Grigori Sokolov, piano, Beethoven (Tue); Lunchtime concert with Pierre Vellones' Poèmes de Mallarmé for soprano, four harps, double bass, tenor and alto saxophones (Wed).
Herbert Blomstedt conducting the Rotterdam Philharmonic, with Gideon Kremer, violin (Thu), (1429 11).
Utrecht, Muziekcentrum Vredenburg: Marius Jansons conducting the Leningrad Philharmonic, with Grigori Sokolov, piano, Prokofiev, Shostakovich (Mon); The Utrecht Symphony Orchestra under Hubert Soudant, with Jean-Bernard Fommier, piano, and Theo Ole violin, Beethoven (Tue); Royal Hall: Montserrat Figueras, soprano, and Hopkinson Smith, violas and guitars, 4 centuries of Spanish Song (Tue); Bernard Krusyan, baritone, accompanied by Gérard van Blerk, Fauré (Wed), (31 45 44).

NEW YORK
New York Philharmonic (Avery Fisher): Conductor, Zubin Mehta; Bach, Mozart, Strauss (Tue); conductor, Zubin Mehta: Haydn, Crumb, Ravel,

May 17-23

Jacob Druckman (Thu), Lincoln Center (574 2424).
WASHINGTON
National Symphony (Concert Hall): Conductor, Mstislav Rostropovich; cellist Lynn Harrell, bassoonist Kenneth Farnsworth; Schubert, Schuller, Saint-Saëns, Ravel (Tue); conductor, Mstislav Rostropovich, bassoonist Kenneth Farnsworth, Schubert, Schuller, Saint-Saëns (Thu), Kennedy Center (254 3778).

LONDON
Maurizio Pollini, piano: Berg, Schoenberg and Beethoven, Royal Festival Hall (Mon), (928 3191; credit card 928 8800).
City of London Choir and London Bach Orchestra conducted by Donald Cammone, Mendelssohn Elijah, Barbican Hall (Tue), (538 8801).
Philharmonia Orchestra conducted by Andrew Davis with Shlomo Mintz, violin, Copland, Bruch, Coltrane, Rachmaninov, Royal Festival Hall (Tue).

Vlado Perlemuter, piano: Fauré, Ravel and Chopin, Queen Elizabeth Hall (Thu), (928 3191; credit card 928 8800).
London Symphony Orchestra conducted by Myung Whun Chung with Wynne Marshall, trumpet, Copland, Fauré, Handel, Hummel and Musorgsky/Ravel, Barbican Hall (Thu).
Ronnie Scott's, Frith Street: James Moody (flute) with rhythm section. (Moody 747).

This advertisement is issued in compliance with the requirements of the Council of the Stock Exchange. It does not constitute an invitation to the public to subscribe for or purchase any securities.

Alexander Russell PLC

(Incorporated and Registered in Scotland No. 13589)

RIGHTS ISSUE

of 5.75% Cumulative Convertible Redeemable Preference Shares of £1 each ("Convertible Preference Shares")

This advertisement appears in connection with the rights issue of 5,588,149 Convertible Preference Shares in the Company which are offered for subscription at par to shareholders on the register at the close of business on 18th April 1985 on the basis of one Convertible Preference Share for every four Ordinary Shares of 10p each then held. Application has been made to the Council of the Stock Exchange for the Convertible Preference Shares to be admitted to the Official List and listing is expected to become effective on 20th May 1985.

Details of the listing particulars relating to the Company and the Convertible Preference Shares required by The Stock Exchange (Listing) Regulations 1984, are available in the Extel Statistical Services. Copies of the circular to shareholders dated 25th April 1985 containing the listing particulars may be obtained during normal business hours on any weekday, Saturdays and public holidays excepted, up to and including 10th June 1985 from:

Alexander Russell PLC,
Claremont House,
North Claremont Street,
Glasgow
G3 7LQ

3 Corporate Finance Ltd,
20 Blythswood Square,
Glasgow G2 4AR

Hardie, Caldwell Ker
& Hardie,
179 West George Street,
Glasgow G2 2LQ

Fielding, Newson-Smith &
Co.,
Garrard House,
31 Gresham Street,
London EC2V 7DX

and, until Wednesday 22nd May 1985, only from:

Companies Announcements Office,
The Stock Exchange,
Throgmorton Street,
London EC2P 2BT

20th May 1985

TECHNOLOGY

EDITED BY ALAN CANE

Assembly robots on the march

Geoffrey Charlish on the rise of computerised manufacturing

ENDLESS experimentation by the experts to make manufacturing management think seriously about applying computers and robots to assembly tasks seems to be having its effect.

For more than a decade, integrated circuits (IC) have been inserted into computer printed circuit boards (PCB) using special purpose robots. These ICs are always of flat, rectangular shape and have electrical leads emerging at standard spacings round their edges—no auto-insertion is not too difficult.

But the assembly of non-standard components into the analogue PCBs found in consumer and some areas of professional electronic equipment manufacture is more difficult. General electrical assembly, too, from car headlamps to equipment from windmills, poses similar difficulties due to component variability.

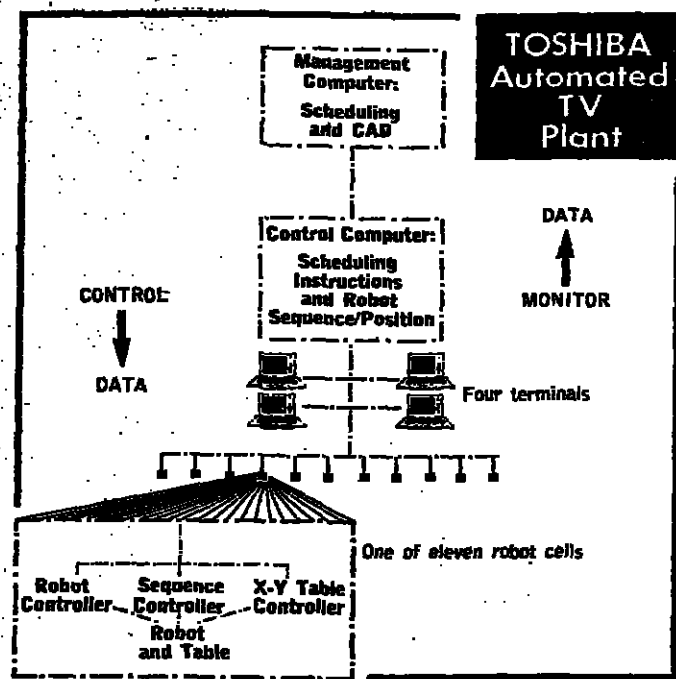
Industry is beginning to attack the problems and some of the solutions are coming to light at the recent Advanced Manufacturing Summit in Birmingham organised by IFS of Bedford.

Toshiba, for example, has introduced a line of 11 of its Scarf robots into a car vision plant. They are controlled by Toshiba T-770 mini-computers and have raised the proportion of component types that can be auto-inserted to 95 per cent.

The robots, in a single straight line, share the task of fitting each PCB with 500 components. Each has an indexing rotary head with six grippers, able to deal with about 20 kinds of component ranging from a fuse holder to a complete radio frequency tuner. Several kinds of component feeding device are used at each robot cell: pallet boxes are used for larger items like tuners and transformers while stick magazines and vibration deal with smaller parts.

Of significance is the fact that the robotics control computer is linked to a factory management processor that holds both production scheduling and computer-aided design information—a step towards "computer integrated manufacturing" (CIM), about which much has been heard but little seen elsewhere.

One outcome is that change of product is relatively simple for the line technicians. They do not have to teach the robots new positional data. Instead, they just key in component reference and sequence numbers and the downloaded CAD information does the rest. Set-



up time is only 30 minutes. During production, data is sent back to the scheduling computer to up-date it.

The Toshiba line now runs in two shifts with two technicians instead of one operator. Capital cost is not revealed, but by mid-85 the company says that an insertion cost of just over two pence per component will be achieved, equal to the current manual insertion cost. By 1992, assuming six per cent wage increases and depreciation of the equipment over five years, the machine will be twice as efficient, claims Toshiba.

At Hewlett Packard's South Queensferry plant, where professional electronic systems are made, some 840 different board types are involved and batch sizes can be as low as 10. Taylor Hitec, of Chorley, Lancashire, is undertaking the automation task for 220 of the boards (about 70 per cent of total production), into which over 1500 different component types might have to be inserted.

The system will be introduced on a cell-by-cell basis and a start has been made with axial lead components (mainly resistors and capacitors). An Amstar A6448 machine, with automatic adjustment of the board handler to suit different sizes. Ultimately the system will have similar general characteristics to the Toshiba line. As automation moves from electronic through electrical to-

wards mechanical assembly work, engineers are undoubtedly finding the task more difficult without re-design of the product. At Lucas Industries for example, only one of dozens of tasks could be identified—a headlamp sub-assembly.

Lucas believes product design

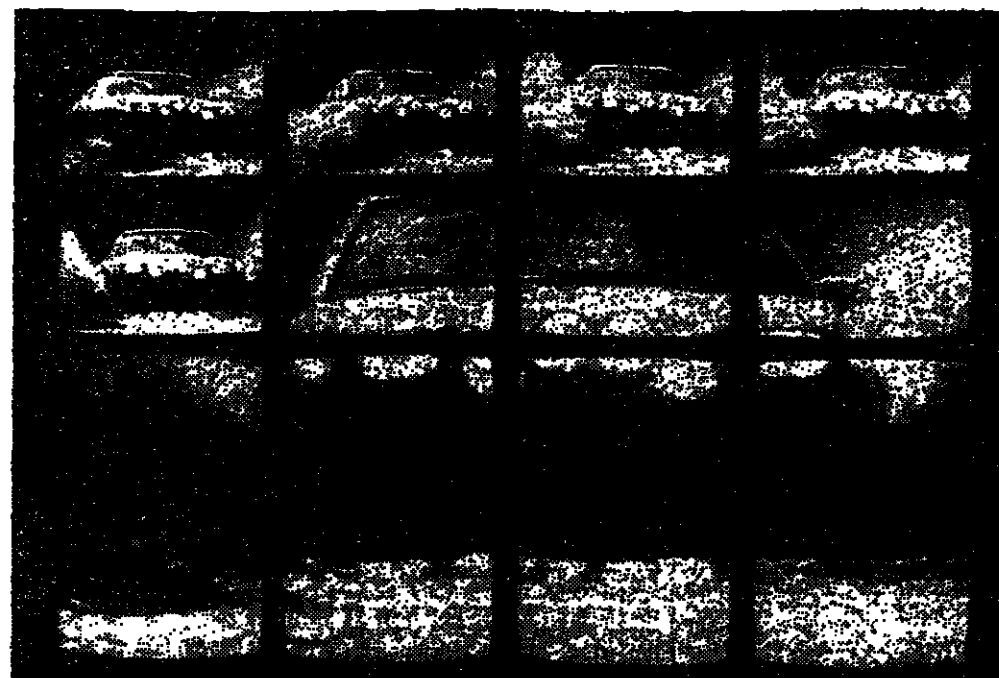
is vital and warns against seeing flexible assembly in black and white terms—it will usually be achieved only to particular levels yielding a limited degree of product variability.

In mechanical engineering, the vehicle industry has led the way—with cylinder head assembly for example. Perkins in the UK (Fairley Automation) and Fiat in Italy (Coman) are recent new examples.

But in the U.S., according to a vice-president of Bodine Corporation, Mr F. Riley, there appears to be "a quickly growing unease with the validity of some of the projected results of programmed assembly."

In a keynote paper, Mr Riley said there had been too much "hype" about flexible manufacturing systems and he blamed the press, for "consistently reporting engineering research as accomplished fact." He also found the stock analysts guilty for making "wild projections" that have often created "a most unfortunate tendency of upper management to accept theoretical research reports as commercially available tools."

The general view is that the U.S. taxpayer, together with General Motors, IBM and a few other large bodies are "supporting equipment developments that are not economically rewarding to other industries such as consumer products, electrical switchgear, telecommunications and the like."



Life in the fast lane with videowall

THIS FLY'S-EYE, videowall view of a rally car at speed is the result of some clever work by a West German company, Nurnberger Medien Technik (NMT), writes Alan Cane.

Using a pair of Z80 8-bit microprocessors, it has developed a computer system which enables up to 96 video monitors to be driven off a single U-matic professional videorecorder.

Sophisticated use of the frame storage in each monitor makes it possible to show a single composite image across all the screen in the system or any combination of images from the same videotape.

If images from more than one source are required, it is possible to group the screens to run off more than one video recorder. The impression is that each screen is controlled by its

own recorder and that a single brain is controlling the entire presentation.

Distributed in the UK by Teletape Video of London, the system is used to create a videowall, a giant screen up to 100 square metres in size.

Cost of the system ranges from £37,500 for a nine monitor version to £362,500 for 64 monitors.

"100 years in quality building"



Tom Green
01-346 7133/0277-354141

Plug-in push-button pager

"PACKAGED PAGING" has been launched by Multitone of London. The use of technology to minimise the installation and setting up of the system means that the user simply unpacks it, plugs into the mains and starts paging.

Called Access 330, the package consist of a compact desk top control unit with built-in or free-standing aerial, and a set of up to 100 radiopaging receivers.

The system is aimed at small to medium sized companies with no technical personnel. The control unit contains paging encoder and transmitter in one housing and is operated by a clear and unambiguous push-button keypad. Calls can be directed to individual pagers or groups and there are five distinct "beep" patterns.

The pagers weigh only four ounces and clip into belt or pocket.

More on 01-235 7611.

A B.A.T Industries Report

An abridged version of comments made by Patrick Sheehy, Chairman of B.A.T Industries, at the Annual General Meeting on Thursday 16th May, 1985.

Protection jeopardises real growth and investment —it does not save jobs

The debate about a new round of world trade talks is now at a critical stage after the confusing signals from the Bonn Summit. It will not be easy to find agreement to go ahead, in the face of competing demands for protection and special treatment.

I realise protection has its attractions. But an alarming account of its dangers has recently been published by the OECD. Their study shows that it yields few benefits, but adds to costs. It jeopardises real growth. It distorts trade and does not save jobs. It depresses investment and business confidence and endangers the development of world markets. I would add that restrictions on competition stifle innovation and feed inefficiency.

This is an unpalatable message for some. But the key is to recognise that a freer and fairer world trading system, in both goods and services, is to everyone's advantage. In the complex world of international trade, this is not always easy to see and I would like to give one example, drawn from our own Company's experience.

The industrialised and the developing nations are interdependent. The developing world can offer tremendous growth potential, not only for export markets, but also for opportunities to invest and manufacture in those markets.

Whenever possible, this Company likes to be closely identified with its markets. Obviously we expect and need to receive the dividends which our investments earn. On the other hand, our investment takes with it advantages for the developing countries.

This is certainly the case with Brazil, for example, where we invest heavily and contribute to export earnings in tobacco, woodpulp and fruit juice. In 1984 our net contribution to their balance of payments was some US \$260 million even after allowing for imports and dividend remittances.

The developing countries need open markets in which to sell their exports. By doing so they stimulate their domestic economies and earn valuable foreign currency which can be used for acquiring goods and services from the industrial economies or for servicing their foreign debts.

It would be a tragedy if we, in the developed world, closed our markets to them. A tragedy for them and for us, because there is good business to be done there and it is in our interest, as well as theirs, that they make their debt repayments.

A multinational company such as ours, has experience in trading throughout the world and we must be convincing advocates for the liberalisation of world trade. The GATT system is complex, time consuming and one of compromises; but the stakes are high. We must challenge those who plead for special cases to reveal the real costs of protection—the costs to customers, to real economic growth, and finally, to the creation of new jobs.

We must never forget that we all share in the advantages that flow from freer trade. If we close our eyes to the facts in front of us, and take the short-term options, the scourge of international impoverishment and unemployment will be here to stay.

Automatic vision system for packaging industry

BY PETER MARSH

LIFE for engineers in the packaging industry may be made easier with a range of automatic vision systems that spot faults in labels or containers in production areas such as cosmetics, food and pharmaceuticals.

In the U.S., several companies sell special-purpose computer systems that analyse information from TV cameras focused on bottles or packages as they move past on a conveyor.

With particular sets of software, the computers are "trained" to recognise, for instance, an incorrectly-worded label, a bottle that is only half full of product or a container that is without a cap.

On the basis of this information, the computer sends instructions to other machinery that may divert the faulty packages to a different part of the factory. The computer would also keep a record of all the items which have been manufactured correctly, thus aiding in quality control.

Such systems replace human labour in meticulously looking for faults or defective labels on products. Such work, for men and women, is tiring and often boring. More importantly, it is a task which introduces the systems, the vision hardware (providing it is proven, matured) can prove more reliable in this job than people.

GEI, a small company in Winston-Salem, North Carolina, is one of several enterprises making its presence felt in the area of the machine-vision market concerned with packaging. Competitors include Cutler Hammer and Comex.

In total, more than 100 companies sell machine-vision systems in the U.S., in a number

of specialist areas that, besides packaging, include inspection of components in car factories and the provision of "artificial eyes" to industrial robots.

In the latter area, robots are given the ability to spot the locations of parts they are required to pick up, rather than rely on a fixed program that assumes the components are always in the same place.

Other leading suppliers of machine-vision hardware in the U.S. include Automatrix (in which General Motors has a stake), Javalis, Electronics, Object Recognition Systems, Zygo Corporation and View Engineering. The market for such hardware is growing, according to analysts, and may run to several hundred millions of dollars a year in the U.S. by 1990.

GEI is partly owned by Chesebrough-Pond's, a big food and cosmetics company based in Clinton, Connecticut. Chesebrough invented its own machine-vision hardware in the late 1970s at its research laboratories in Clinton, mainly to aid the automation of the company's own plants.

The North Carolina company was set up last year to sell the Chesebrough systems to customers in the packaging industry. Besides Chesebrough, the company's major shareholder is the company's Mr Alan Miller, GEI's president.

GEI's systems sell on average for \$40,000 and include a TV camera, a computer based on an Intel microprocessor and the necessary software. Of the 60 sets of hardware the company has sold, about 12 are in Chesebrough's own factories, doing jobs such as inspection of bottles of cosmetics to ensure they are labelled properly.

The last decision you'll ever make.

Alone. Because 'Lightyear', the brand new IBM PC software package is going to help.

'Lightyear' is an easy to use, advanced, decision modeller. It breaks down the decision process into the available alternatives, judges them against your criteria, and evaluates the options.

It disciplines decision taking and provides a tool for justifying, and setting, those decisions to others.

At only £495 there really isn't a choice.

So fill in the coupon and send for the £20 trial disk now. Its one decision you won't have to justify.

Please send me further information on 'Lightyear' I enclose £20 for my 'Lightyear' trial disk (incl. VAT & P & P).

Name

Company

Address

Intelligent Environment Ltd
Pocklington, London SW11 6PL Tel: 01-835 0800

B.A.T INDUSTRIES

Copies of the full speech are available from the Company Secretary, B.A.T Industries p.l.c. WINDSOR HOUSE, 50 VICTORIA STREET, LONDON SW1H 0NL.

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4A 3DF
Telegrams: Finantime, London PS4. Telex: 8954871
Telephone: 01-248 8000

Monday May 20 1985

A mountain of bills and debts

SINCE direct controls on bank lending were abandoned under the "competition and credit control" in 1971, British monetary policy has passed through at least four distinct phases. First, there was the Barber money and credit explosion. Targets for the growth of the money supply were introduced by Mr Barber and remained the centre of policy under Mr Denis Healey, as part of a regime using the traditional instruments of an official bank rate and calls for special deposits from the banking system. This period was marked by funding and sterling crises, so the "corset" penalties on excessive lending growth were introduced. When these were abandoned, it transpired that they had caused large and largely unsuspected distortions in the money market — in spite of which inflation and activity fell sharply.

In 1981, therefore, a new regime was introduced, intended to allow the markets a far freer hand in setting the structure of interest rates, including the official minimum lending rate, which was itself later abandoned as redundant. The underlying aim, as under the Volcker regime introduced in the U.S. in 1979, was to let the market set a price for money, with the government's role limited to that of a lender of last resort. However, British monetary policy continued, as always, to concentrate solely on controlling liquidity, and a new device — over-funding — was found to neutralise the effect of excess credit growth without raising interest rates. Government securities have been sold to mop up excess liquidity and the money has been returned to the banking system through official purchases of commercial bills.

This has in its turn proved to be a source of major distortions. As the Bank's holding of bills has grown, transactions concerned with refinancing this portfolio have come to dominate the entire money market. The Bank has found itself setting a whole spectrum of market rates in spite of its wish to let the market take the lead. Its heavy buying in one sector of the market has also distorted the relationship between bill rates and other money-market rates, so that bills — unconditionally saleable after seven days to the Bank — have quite frequently been the cheapest source of credit in the market.

Human rights in the Soviet bloc

HUMAN RIGHTS are, in East-West relations, fast becoming the political theme of the year. Last week Mr George Shultz and Sir Geoffrey Hoon said that made human rights a cardinal element of their talks with their Soviet counterpart, Mr Andrei Gromyko. In Ottawa the 35-annual review conference on human rights was under way, and in August the 10th anniversary of the signing of the Helsinki accords, with their key human rights provisions, will be marked with some considerable diplomatic fanfare.

Western politicians are trying to put Soviet bloc governments in the public dock on the issue of how they treat their own citizens. Will it have any effect? Aside from using the spotlight of public criticism, there is real political or economic leverage the West can bring to bear? The latter question is prompted by two statements in the past week. One was the claim by the U.S. delegate to the Ottawa conference that conclusion of a U.S.-Soviet arms control agreement and other improvements in superpower relations were "contingent" on changes in Moscow's treatment of its own citizens. Back in Washington, the State Department demurred from what its delegate said and it was right to do so.

Arms control, that is, negotiating efforts to reduce the danger of the planet being blown up, is far too serious a business to hang on the myriad political disagreements between the two superpowers, even those over human rights. In their more sober moments, successive U.S. administrations have recognised this.

Economic leverage
At the same time, final conclusion of arms control treaties — not just agreement between Geneva negotiators but ratification under U.S. law by the U.S. Senate — will inevitably be affected by what Moscow does on human rights. Soviet compliance with international agreements it has signed is an issue that the Senate, whether the White House likes it or not, will consider very broadly.

A call for economic leverage to be used to advance the cause of human rights came from a very different quarter in the past week. The departing U.S. Ambassador to Romania complained that President Nicolae Ceausescu had "outfoxed" the U.S. by continuing to restrict emigration from that Balkan country and that therefore Romania probably no longer deserved preferential trade and

THE FIRST wave of new biotechnology companies, spawned by the breakthroughs in the science of molecular biology in the mid-1970s, are no longer precocious infants but fast approaching their adolescence. Their all-consuming problem is how to keep growing at an exponential rate.

Their fate will be a topic of debate and much rumour at Biotech-85 in Geneva this week, the first of three international conferences by the same organisers, with others to follow in Washington DC and Singapore in the autumn.

The bio-entrepreneurs who founded such companies as Genentech, Cetus, Genex, Biogen and Celltech — and several hundred more — raised venture capital against the promise that they could harness novel scientific methods such as genetic engineering and cell fusion to make much-sought drugs such as interferon, or infallible tests for hepatitis and many other diseases.

Some bio-entrepreneurs surprised even themselves with the speed with which they picked up the new techniques, and cloned substances they had targeted. They demonstrated convincingly how techniques that were hot off the academic laboratory bench could be transferred with little delay into a commercial setting. They opened the way to bio-synthesis of chemicals far too complex to synthesise by conventional methods at present.

Dr Sydney Brenner, director of Britain's most fertile source of ideas in this field, the Laboratory of Molecular Biology in Cambridge, says he sees the new biotechnology firms filling a gap in the academic canvas, while universities set about creating more commercially orientated departments of genetic technology to facilitate technology transfer to industry.

Partly as a result, also, holdings of bills have grown into a mountain so large that they now exceed the total currency in issue and the Bank is more than ever dominant in the markets, with single-day shortages more than once exceeding \$100m. This is the background to the present overshoot in money and credit growth.

Wider channels
In these circumstances, it is hardly surprising that the City is once again deeply sceptical about official policy. In the space of a couple of days last week one of the major firms of stock market makers, Phillips and Drew, proclaimed the end of monetarism (and saw nothing to regret in this) while another, Greenwell, called on the Government to overhaul the whole system yet again in order to avoid bringing monetarism into total contempt.

Certainly we do not believe that things can simply be left as they are. At the least, the authorities should seek wider channels through which to recycle liquidity: power was taken more than a year ago to use Exchequer bank deposits, and it should be used. The case for a more radical overhaul, as Greenwell says, is a strong one. It is no accident that while the U.S. and UK systems, with their emphasis on controlling the demand for credit, have suffered repeated crises and reforms, the much more radical overhaul, as Greenwell says, is a strong one. It is no accident that while the U.S. and UK systems, with their emphasis on controlling the demand for credit, have suffered repeated crises and reforms, the much more radical overhaul, as Greenwell says, is a strong one.

Their optimism is rooted in the idea that new biotechnologies still being developed will permit the scientist to cut through the costly tedium and delay in discovering new drugs. Instead of screening thousands of possibilities for one that might solve a medical problem — which can take a drug company 10 years — their goal is to specify the protein exactly at the outset, then set out to make it by biotechnology.

They cannot do this "protein engineering" yet. But they believe they can move much faster than the big drug houses, which have so much of their research effort committed to the traditional pattern of research. Their problem is how to persuade their financial patrons to be very patient while they — and the universities behind them — perfect their techniques. Mostly they raised venture

capital on the basis that they would be engineering new products for an investment of a few million dollars and within about five years. Now the payoff date looks more like the 1990s and the investment needed could be many tens, even hundreds, of millions of dollars.

This is because, even if the new scientific techniques successfully short-circuit the research phase, there is no way the companies will be able to bypass the very lengthy development phase to prove the safety and efficacy of the product.

The dilemma of the adolescent biotechnology firm which has grown from a few hundred enthusiasts to a few hundred employees is how to present this problem to its patrons. "It's quite staggering how many people want small companies to remain small," says Mr Wensley Haydon-Ballie, chairman of Forton International, one of the latest British biotechnology ventures.

The dilemma has already been resolved in many cases by selling out to bigger companies seeking a ready-made pocket of experience in biotechnology. Bethesda Research Laboratories in Washington DC, one of the first, which in 1981 declared its intention of becoming "the IBM of biotechnology," is now part of a bigger company, Gibco, and renamed Life Technologies. AgriGenetics, launched in 1975, is now part of Lubrizol, a U.S. oil additives

group. Genex, another U.S. pioneer, has been cutting staff and is said to be ripe for takeover.

Rumours are rife that Biogen based in Geneva and Boston, Massachusetts could be another. Its running costs rose by 49 per cent last year, to nearly \$44m, mostly for research and development.

Biogen's loss of Dr Walter Gilbert, its founder and recruiter of its top scientific talent who retired abruptly as chairman late last year has helped to feed these rumours. Dr Gilbert never disguised the fact that he modelled Biogen on Genentech, the Californian start-up founded in 1975. Genentech raised U.S. venture capital to back an idea supported by Herbert Boyer, one of the co-inventors of genetic engineering. Biogen sought to repeat

it with capital raised outside the U.S., but has consistently raised less than it wanted.

Genentech is the outstanding success story among the new biotechnology firms, with an unparalleled record of scientific innovation. Its conquests range from genetically engineered "living" substances such as interferons (an cancer treatment), insulin and Factor VIII (the blood clotting factor, the most haemophilic lack) to bovine and porcine growth hormones, expected to make a dramatic impact on the productivity of beef, dairy and pig farming. It was the first to declare plans to take on the big drug houses.

From the outset many big companies have been among the patrons of the new biotechnology ventures, while more slowly developing their in-

European biotechnology

The painful and costly process of growing bigger

By David Fishlock, Science Editor

capital on the basis that they would be engineering new products for an investment of a few million dollars and within about five years. Now the payoff date looks more like the 1990s and the investment needed could be many tens, even hundreds, of millions of dollars.

This is because, even if the new scientific techniques successfully short-circuit the research phase, there is no way the companies will be able to bypass the very lengthy development phase to prove the safety and efficacy of the product.

The dilemma of the adolescent biotechnology firm which has grown from a few hundred enthusiasts to a few hundred employees is how to present this problem to its patrons. "It's quite staggering how many people want small companies to remain small," says Mr Wensley Haydon-Ballie, chairman of Forton International, one of the latest British biotechnology ventures.

The dilemma has already been resolved in many cases by selling out to bigger companies seeking a ready-made pocket of experience in biotechnology. Bethesda Research Laboratories in Washington DC, one of the first, which in 1981 declared its intention of becoming "the IBM of biotechnology," is now part of a bigger company, Gibco, and renamed Life Technologies. AgriGenetics, launched in 1975, is now part of Lubrizol, a U.S. oil additives

group. Genex, another U.S. pioneer, has been cutting staff and is said to be ripe for takeover.

Rumours are rife that Biogen based in Geneva and Boston, Massachusetts could be another. Its running costs rose by 49 per cent last year, to nearly \$44m, mostly for research and development.

Biogen's loss of Dr Walter Gilbert, its founder and recruiter of its top scientific talent who retired abruptly as chairman late last year has helped to feed these rumours. Dr Gilbert never disguised the fact that he modelled Biogen on Genentech, the Californian start-up founded in 1975. Genentech raised U.S. venture capital to back an idea supported by Herbert Boyer, one of the co-inventors of genetic engineering. Biogen sought to repeat

it with capital raised outside the U.S., but has consistently raised less than it wanted.

Genentech is the outstanding success story among the new biotechnology firms, with an unparalleled record of scientific innovation. Its conquests range from genetically engineered "living" substances such as interferons (an cancer treatment), insulin and Factor VIII (the blood clotting factor, the most haemophilic lack) to bovine and porcine growth hormones, expected to make a dramatic impact on the productivity of beef, dairy and pig farming. It was the first to declare plans to take on the big drug houses.

From the outset many big companies have been among the patrons of the new biotechnology ventures, while more slowly developing their in-

house resources. Social and Shell supported Cetus. Schering-Plough backed Biogen. Eli Lilly and Hoffman-La Roche were among Genentech's first clients for contract research.

Genentech's spending grew from \$11.2m in 1982 to \$22.5m in 1983, to \$46.8m last year. But in 1984 its total revenue — up by 48 per cent — came to \$27.1m ahead of the expense of a payroll almost double that of Biogen. It has sufficiently impressed big business to negotiate three joint ventures involving four major U.S. groups — Hewlett-Packard, Baxter Travenol (a healthcare company), Corning Glass and A. R. Stanley (an agricultural group).

Celltech, the leading British biotechnology start-up, still less than five years old, has copied the Genentech pattern. It has negotiated joint ventures with Boots and Air Products, in each case for a substantial downpayment for its special skills.

Like Genentech and Biogen, Celltech has one overriding ambition — "to be a darned big company in ten years' time," as Mr Gerard Fairclough, its chief executive, sees it. The initial backers in 1980 were four City institutions, British Midland Bank, the Pru and ICFC, which put up 58 per cent of cash in the biotechnology company that Mr Haydon-Ballie has created that he forecasts that it will negotiate about 40 joint ventures worldwide within the next five years.

Like Genentech and Celltech, Forton also sees the future in terms of joint ventures with established companies. But so does the diversified biotechnology company that Mr Haydon-Ballie has created that he forecasts that it will negotiate about 40 joint ventures worldwide within the next five years.

Like Genentech and Celltech, Forton also sees the future in terms of joint ventures with established companies. But so does the diversified biotechnology company that Mr Haydon-Ballie has created that he forecasts that it will negotiate about 40 joint ventures worldwide within the next five years.

Like Genentech and Celltech, Forton also sees the future in terms of joint ventures with established companies. But so does the diversified biotechnology company that Mr Haydon-Ballie has created that he forecasts that it will negotiate about 40 joint ventures worldwide within the next five years.

LEADING RESEARCH COMPANIES

Company	Country	Objective
Amgen	U.S.	Diagnostics
Biogen	U.S./Europe	Healthcare/Diagnostics
Celltech	UK	Healthcare/Diagnostics
Cetus	U.S.	Diagnostics
Centocor	U.S.	Crop enhancement
DNA Plant Technology	U.S.	Healthcare
Genentech	U.S.	Healthcare
Genetics Institute	U.S.	Diagnostics
Genetic Systems	U.S.	Diagnostics
Genex	U.S.	Specialty chemicals
Hybritech	U.S.	Diagnostics
Immunex	U.S.	Healthcare
Molecular Genetics	U.S.	Healthcare

Men and Matters

Brooks has undertaken daunting tasks at Midland before. He oversaw the computerisation in the early 1970s. Since then a series of high level posts has made him familiar with the inner workings of the UK's largest bank, though more on the administrative than international banking side.

The Crocker job will "take a longer rather than a shorter time," says the 56-year-old Brooks who expects to have it finished by the time he retires in 1988.

Brooks' current responsibilities are being parcelled out to other senior Midland executives. One man who gains is Michael Julien, the finance director, who is put in charge of administration for the whole Midland group as well.

"My rewards are mainly spiritual," says Dr Javier Torres, the Bolivian minister of health, who is in London as a guest of the British government.

They are certainly not monetary. With a salary of about £40 a month Torres believes that he and his colleagues are the world's worst-paid cabinet.

If any politicians challenge his claim to that unenviable record they may call me — and reverse the charges.

Banking on Brooks
It is not a job everybody would relish. But John Brooks, Midland Bank's deputy chief executive, seems to be looking forward to it: integrating the ill-starred Crocker National Bank into the Midland Group — assuming that shareholders later this week approve Midland's purchase of the 43 per cent of Crocker it does not own. U.S. shareholders vote tomorrow, UK shareholders on Thursday.

Brooks' appointment effectively makes him the man who must prove that the whole rationale for buying Crocker can work. Exposed back in the heady days of 1980, it was that Midland needed Crocker to boost its presence in the U.S. and add to its stature as a worldwide bank. But since then Crocker has lost \$350m.

"I suppose you could say it's now on my shoulders to make Crocker a successful investment for Midland," says the soft-spoken, silver-haired Brooks, though he stresses that key roles will be played by Horvath Carmoy, the Frenchman who heads Midland's international division, and Frank Cahouet, the American chairman of Crocker.

Knowing the British are usually at a loss with a foreign language, the Spanish motor industry thoughtfully provided some background notes in English for reporters at the Barcelona motor show.

This is how it explained that its exports were doing well but the weak domestic market was causing problems.

"Definitively, the Spanish exporter's success hides a failure as even the Japanese industry has reached, in its



ICFC has since got cold feet over the timescale — and the Government, as a matter of principle, has reduced its stake to 15 per cent. In his comments, Lord Rothschild, dedicated trustee whose chairman, Lord Rothschild, has stated that it seeks investments with a payoff time of up to seven years.

"We always go into these investments with the complete understanding that we are going to have to put in more money," says Mr David Leatherbarrow, manager of Biotechnology Investments. Another of its executives has what he calls the "rule" — you end up putting in 3.14 times your original investment.

Biotechnology Investments owns 11.1 per cent of Celltech. Mr Fairclough believes that even though biotech ventures have been thought to be "crazy," the company has already proved that you don't need to be in California to start a highly competitive biotechnology company. He foresees revenues of about \$5m this year, mainly from sales to the U.S.

Although it could require \$100m to make Celltech "a darned big company" at a time when other biotechnology startups are being sought, its executives believe this is ripe for several more Celltechs, each exploiting a particular facet of British research — the strongest in this sector outside the U.S. according to science advisers to the British Government.

Finance should not be the problem, the City says, particularly now that Celltech has cleared a path. But each would need to be financed as efficiently as academia. Celltech has done in medical research. This is not easy. The eagerness to co-operate shown by Medical Research Council scientists is not yet apparent in other promising sectors.

Ironically, each start-up, as it grew, would probably need to enter into joint ventures with big business in order to preserve its identity as an independent biotechnology company.

Mr Haydon-Ballie has no doubt about the dangers of a "little England" approach to biotechnology. For him, it is inescapably a totally worldwide technology.

Forton International, although launched only last year, is an infant only in name. The company's first venture, a reminder that the laboratory was once a world-famous centre of germ warfare research, Mr Haydon-Ballie has been assembling his company for eight years, from consultants which he diversified into biotechnology as long as 40 years ago. As yet, the company fulfils three fundamental requirements. It is market-led, it is fully international, and it has a "command over, rather than access to, its prime technology." Like biotechnology investments, it has assembled a portfolio of investments, but in this case it wholly owns most of them.

Like Genentech and Celltech, Forton also sees the future in terms of joint ventures with established companies. But so does the diversified biotechnology company that Mr Haydon-Ballie has created that he forecasts that it will negotiate about 40 joint ventures worldwide within the next five years.

Like Genentech and Celltech, Forton also sees the future in terms of joint ventures with established companies. But so does the diversified biotechnology company that Mr Haydon-Ballie has created that he forecasts that it will negotiate about 40 joint ventures worldwide within the next five years.

Like Genentech and Celltech, Forton also sees the future in terms of joint ventures with established companies. But so does the diversified biotechnology company that Mr Haydon-Ballie has created that he forecasts that it will negotiate about 40 joint ventures worldwide within the next five years.

ISSUES OF GOVERNMENT STOCK

The Bank of England announces that Her Majesty's Treasury has created on 17th May 1985, and has issued to the Bank, additional amounts as indicated of each of the Stocks listed below:

£100 million 2½ INDEX-LINKED TREASURY STOCK, 1990
£150 million 2½ INDEX-LINKED TREASURY STOCK, 2001
£150 million 2½ INDEX-LINKED TREASURY STOCK, 2011

The price paid by the Bank on issue was in each case the middle market closing price of the relevant Stock on 17th May 1985 as certified by the Government Broker.

In each case, the amount issued on 17th May 1985 represents a further tranche of the relevant Stock, ranking in all respects pari passu with that Stock and subject to the terms and conditions of its prospectus, save as to the particulars therein which related solely to the initial sale of the Stock. Copies of the prospectus for 2½ per cent Index-Linked Treasury Stock, 1990 and 2½ per cent Index-Linked Treasury Stock, 2001, dated 20th December 1983 and 20th August 1982, respectively, and of the prospectus for 2½ per cent Index-Linked Treasury Stock, 2011, dated 22nd January 1982 (as amended by the prospectus supplement to the prospectus dated 9th March 1982), may be obtained at the Bank of England, New Issues, Watling Street, London, EC4M 3AA.

Application has been made to the Council of the Stock Exchange for each further tranche of stock to be admitted to the Official List.

The Stocks are repayable, and interest is payable half-yearly on the dates shown below (provision is made in the prospectus for stockholders to be offered the right of early redemption under certain circumstances):

Stock	Redemption date	Interest payment
2 per cent Index-Linked Treasury Stock, 1990	25th January 1990	25th January
2½ per cent Index-Linked Treasury Stock, 2001	25th January 2001	25th July
2½ per cent Index-Linked Treasury Stock, 2001	24th September 2001	24th March
2½ per cent Index-Linked Treasury Stock, 2011	23rd August 2011	23rd February
2½ per cent Index-Linked Treasury Stock, 2011	23rd August 2011	23rd August

Both the principal of and the interest on the Stocks are indexed to the General Index of Retail Prices. The Index figure relevant to any month is that published seven months previously and relating to the month of the month of issue of 2 per cent Index-Linked Treasury Stock, 1990 is that relating to May 1983 (333.9); the equivalent Index figures for 2½ per cent Index-Linked Treasury Stock, 2001 and 2½ per cent Index-Linked Treasury Stock, 2011 are respectively 298.1 and 298.1. These Index figures will be used for the purposes of calculating payments of principal and interest due in respect of the relevant further tranches of stock.

The relevant Index figures for the half-yearly interest payments on the Stocks are as follows:

Interest payable	Published in	Relating to
January	June of the previous year	November
July	December of the previous year	July
March	August of the previous year	January
September	February of the same year	June
February	July of the same year	December
August	January of the same year	March

Each further tranche of stock issued on 17th May 1985 will rank for a full six months' interest on the next interest payment date applicable to the relevant Stock.

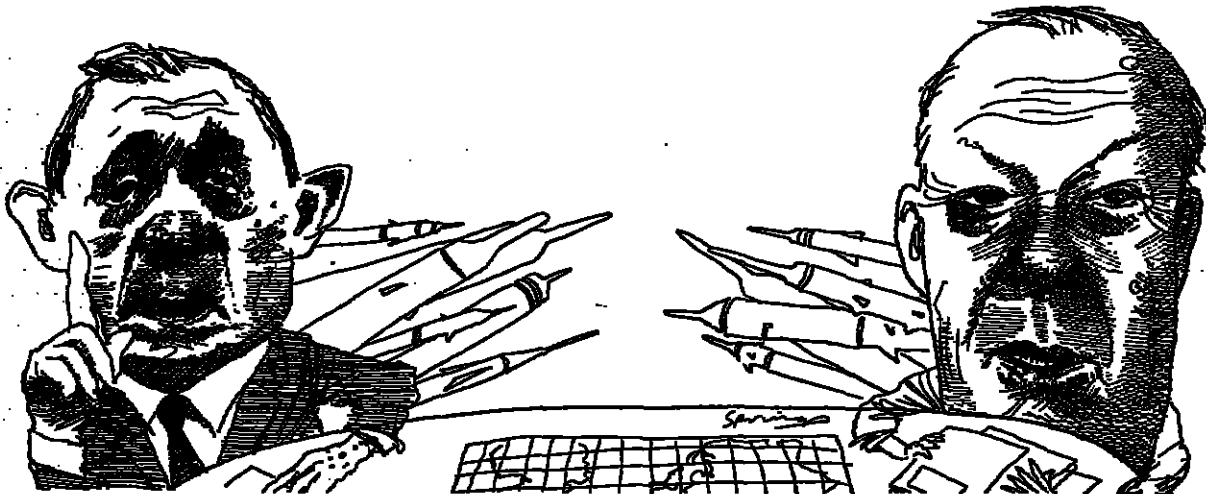
BANK OF ENGLAND
LONDON
17th May 1985

Observer

Foreign Affairs: Arms Control

Now it's up to Mr. Gorbachev

By Ian Davidson



MR GEORGE SHULTZ, U.S. Secretary of State, has described his six-hour conversation with Mr. Mikhail Gorbachev in Washington as "detailed" and "comprehensive." Since he did not say or imply that any progress was made on any issue, and since the two foreign ministers were apparently unable to agree on the time or the place for a meeting between President Reagan and Mr. Gorbachev, we can only deduce that it was a pretty disagreeable occasion.

The blankness of Mr. Shultz's public comments is tantalising. But it is not too difficult to reconstruct the kind of dialogue that must have taken place.

R. "As you know, President Reagan is looking forward to meeting your new leader, Mr. Gorbachev. The U.S. Administration believes the time has come to seek new opportunities for a constructive dialogue."

G. "A constructive dialogue? But what can they agree on? Where will be the meeting of minds?"

R. "We believe it is important for our two countries to reduce tensions and to develop closer relations. President Reagan is anxious to give real political impetus to the arms control negotiations in Geneva, and he believes that a meeting with Mr. Gorbachev could provide that impetus."

G. "We agree on the importance of reducing tensions, and on the importance of arms control. But we do not see any prospect of progress on arms control so long as your government presses ahead with its famous Strategic Defence Initiative. This seems to us an attempt to achieve strategic superiority over the Soviet Union."

R. "Your Star Wars programme is an explicit threat to existing arms control agreements (three of which have not been ratified by the United States), and especially to the 1972 Anti-Ballistic Missile Treaty, which has been broken."

G. "You are mistaken. We have said many times that we do not seek strategic superiority. On the contrary, we seek a safer and more stable world, in which nuclear weapons would be made threatening, first by making the reduction of offensive nuclear arsenals, second by buttressing the nuclear bal-

ance with defensive systems."

G. "Oh, so you want big reductions in offensive nuclear weapons, do you? Then why are you building the super-accurate MX missile, which could threaten our ICBMs, and why are you planning to build the Stealth bomber? Why are you deploying nuclear sea-launched cruise missiles?"

R. "This is just essential modernisation. In the 1970s we neglected our defences, while you were building yours like crazy. President Reagan was elected to make good the deficiencies in our forces, to make America strong enough to have a constructive relationship with the Soviet Union."

G. "You see, you admit it: you want strategic superiority!"

R. "Not at all. For that matter, why are you building your new SS-X 24 and SS-X 25 intercontinental missiles, and the Blackjack bomber? Why are you deploying so many intermediate-range missiles in Europe? If you're so keen on arms control, why have you built that big radar at Krasnoyarsk, which is a flagrant violation of the ABM Treaty? And why are you building two new ICBMs, when only one is allowed under the Salt II treaty?"

G. "We have explained many times that the Krasnoyarsk radar is not a radar forbidden by the ABM Treaty, but is a

space-tracking system. Whereas the speeches of your President represent the clearest possible declaration of intent to break out of the ABM Treaty just as soon as you are ready. Naturally, we have no such intentions, but—"

R. "In a pig's ear! You know damn well you've been doing more research on anti-missile defences than we have, and for much longer. The only possible construction we can put on the installations you are building, is that it is you who are preparing to break out of the ABM Treaty!"

This kind of conversation could go on for quite some time six hours or six years, unless both sides decide the time has come to change both the script and the story-line.

When European governments warn their electorates that the Geneva negotiations are going to be a long haul, they appear to be indicating that arms control is very complex and cannot be expected to produce quick results. As far as it goes, it is a reasonable message. But it also offers a misleading reassurance, as if time and technical diligence by the negotiators would eventually deliver the goods.

Public opinion wants and needs reassurance, and the mere fact of continuing negotiations in Geneva seems by itself to be reassuring. But it is probable that the negotiations will remain immobilised at the starting gate unless both sides

make some shifts on questions of principle.

The most fundamental shift required is on the issue of anti-ballistic missile defence. America's Strategic Defence Initiative and the corresponding programme in the Soviet Union. There is no point in the Russians calling for a ban on SDI research, since such a ban could not be verified—unless they are merely looking for a pretext for refusing any cut in nuclear weapons. Moreover, after all the fanfare over SDI, it is politically out of the question for Reagan to agree to such a ban even if it could be verified.

On the other hand, there is no point in the Americans pretending that they can get a nuclear weapons reduction without conceding anything on the question of ballistic missile defence. Not merely is the link between the two questions unavoidable, but it was explicitly acknowledged in the joint communiqué which launched the talks in January.

Here one may detect a shift of emphasis among American advocates of arms control who are outside the Administration. No so long ago, their priority seemed to be to fight SDI through a Campaign to Save the ABM Treaty. Now, recognising that SDI research will not be stopped and may gain unstoppable momentum for a number of years, some of them have shifted position. "An early task," in the words of one of

them, "is to find a way to accommodate ballistic missile defence research without sacrificing all arms control prospects in advance of knowing the outcome of the research."

This shift of view is partly a case of adapting to the inevitable; but it is also partly a reflection of a growing consensus that the most likely, and the earliest, application of SDI research could be in the selective defence of localised military targets rather than in some fantastic leak-proof astrumdom. If so, it just might contribute to nuclear stability—providing it were clearly constrained within an arms control régime.

The implication is that the off-licence dilemma in Geneva can probably only be resolved if the ABM Treaty is adapted in a number of precise ways. The bargain here would be that, in exchange for permitting closely defined testing of missile defence components and sub-components, the revised treaty would spell out an equally precise ban on other types of testing, with a total ban even on permitted testing until some distant date—say, 1995.

This would allow President Reagan to claim that the SDI programme would remain alive and vigorous; should persuade the Russians that no deployable system could be effectively developed until long after President Reagan had left the scene; and might allow research to prove that large-scale defence

was neither feasible nor affordable.

To maintain balance on the other side of the equation, an offensive arms reduction agreement would need to be phased over an equally long period. And to enhance predictability—the most essential ingredient of arms control—the notice period for abrogation of any part of the package would be lengthened to, say, three years.

There may be other, better ways of squaring the SDI circle. But the real obstacle to progress in Geneva is not the technical difficulty of constructing a package, but the super powers' mutual suspicion of each other's intentions—which derives from Soviet secrecy and the gyrations of U.S. democracy.

This suspicion is epitomised by American complaints that the Russians have violated existing arms agreements, notably with the radar at Krasnoyarsk. The problem here is much less the practical utility of the radar for forbidden purposes, than the blatant fact that the Russians have built a facility which is banned.

The U.S. Administration claims that it wants to "reverse the erosion" of the ABM Treaty. In fact, of course, it is already searching for, or inventing, loopholes in the treaty to conduct its own SDI testing. What it means, however, is that the compliance issue is central to any new treaty.

The Americans go on to argue that, if they could secure deep cuts in offensive missiles and a substantial anti-missile defence, then Soviet cheating would be less of a worry. That posture guarantees a failure in Geneva, because the U.S. cannot hope to get deep missile cuts without making substantial concessions on unilateral deployment of missile defences.

In previous negotiations, all the innovative thinking has come from the U.S. We cannot expect that this time round, because of Reagan's commitment to SDI. Nor can we expect it from crusty old Gromyko.

The unknown factor is Mikhail Gorbachev. His pronouncements so far have been erratic, veering from the conciliatory to the offensive, from the intriguing to the banal. Much may depend on whether he can start the Geneva ball rolling in a new direction.

Lombard

The brass plaque controversy

By Duncan Campbell-Smith

BUY A stalls ticket at London's Barbican Theatre these days and you could spend the evening sitting in a hot seat. There are 10 to choose from: what makes each of them special is a small, brass plaque on the back of the seat bearing the name of a firm of City solicitors.

The seats—or more precisely the plaques—are at the centre of a lively squabble between the Law Society and the 10 firms concerned. The society believes they may have broken No 1 of the Solicitors' Practice Rules ("Thou Shalt Not Toot for Business") and it may yet ask for the plaques to be removed. The offending firms have been invited, as they say, to offer their comments.

It might have been more appropriate to ask for clean back in 1982, when the deed was done. Each plaque commemorates the donation at that time of £1,000 or more to the Barbican and it would seem reasonable to assume the donors acted out of the goodness of their hearts.

After all, it may be true that lawyers can have more trouble than most of us in agreeing upon a suitable form of words; but they presumably appreciated in 1982 that seat plaques with a bare name and nothing else—not even the word "solicitors"—appears—would offer them a poor advertisement for their money.

The Law Society is not so sure. Or at least, that is the impression given by its earnest inquiries. Admittedly, the society surely finds itself caught up in an affair more worthy of A. P. Herbert's *Misleading Cases* than of the statutory governing body of the English legal profession.

The case of the Barbican Seats could also be a cautionary tale. The timing of the society's concern has much to do with its relaxation last October of the traditional ban on all solicitors' advertising. Its new rules allow some kinds of

advertisement but not others. Distinguishing the first category from the second is in some instances proving rather tricky—and is surely going to require a defter approach if the society is to avoid appearing faintly risible, or worse.

Some problems over the new rules were inevitable. Not all the resultant anomalies are so instantly dismissible as the application of the Dundee solicitor who wanted to put his firm's name across the shirts of Dundee Football Club. The Law Society of Scotland kicked that one into touch pretty smartly in March.

But the English society has had a terrible time, for example, trying to decide whether advertisements on Prestel should be allowed—like entries in a directory, which would fit the rules—or prohibited as part of the continuing ban on television commercials.

The Prestel dilemma, even more than the Barbican brow-hair, shows how difficult it might be to hold any consistent line over advertising as the law adapts to new technology and less regulation. The society intends to rule on the issue on May 22.

But the Barbican seats have another, potentially graver significance. The 10 donors are all City partnerships and include a handful of the biggest firms in the profession. The whole episode may have struck many City lawyers as a storm in a teacup. But endless gossip about its implications suggests that the society's attitude has touched a sensitive nerve.

The City firms have so far set their faces against any form of advertising. But the Big Eight accountants grow more and more brazen in their advertising of legal as well as strictly accounting services.

If the City firms should react by changing their own stance towards the media, they might very soon chafe at society rules full of idiosyncratic guidelines (no references allowed for example, to specialist skills). The curtain could then go up on a show-down in the profession which would leave the Barbican seats looking trivial indeed.

Short v long term views

From Mr D. Darnant

Sir—Your leader "Short v long term views" (May 16) does not pull the strands of the argument together. You mention that many institutional portfolios are equal in value to the constituents of a completely passive fund which buys and holds the constituents of a market index, but you fail to point out that this lack of performance is due to the client pricing of stocks by the market. That is, it is difficult to outperform the market indices because share prices efficiently discount the future prospects of each of the companies concerned.

Of course, if the market is not completely efficient there will be some opportunities for the institutional fund manager; and this has resulted in the core/non-core approach, with funds establishing a considerable core of assets passively in the index, allowing managers to take higher risks with the balance, in order to obtain a higher return overall. But in seeking out such inefficiencies which do arise, there is no reason to distinguish between long term and short term opportunities. If the short term opportunities were too heavily backed, sales would result and the money would go into the previously overlooked long term opportunities. These long term opportunities will be discounted at a lower rate if there is confidence that inflation and interest rates will remain low (as in Germany) but that is a reflection of reality—to invest for future incomes whose present value is negative is to destroy wealth, not to create it. The evidence that this City takes a short-term view is anecdotal. For example, it is frequently pointed out that fund managers and brokers analysts spend most of their time discussing short-term influences in an efficient market. All the news already known is in the share price. The only profitable thing to discuss is the next piece of news. Nearly always, the next piece of news will be the next result or some other short-term factor. But this does not entail that there is anything wrong with the continuing valuation of the long-term prospects of a company as expressed by the share price in an efficient market.

Nevertheless, there will be a real effect if it is believed that the City takes short-term views and if industrialists take investment decisions accordingly. Many industrialists are unaware of the efficient market theory and when it is drawn to their attention they are somewhat frank disbelievers. In fact there is no competing theory whatsoever about the behaviour of the Stock Exchange and, even

Letters to the Editor

If (as is probable) the marginal inefficiencies are rather greater than the hard line theories theorists suppose, the model which this theory puts forward has profound consequences for company financing and in other areas such as accounting standards, quite apart from the consequences for portfolio management. This is not only an academic question.

David G. Darnant,
Quiliter Goodison & Co,
31-45 Gresham Street, EC2.

Abolish wages councils

From the Deputy Chief Executive, Trusthouse Forte

Sir—This company, in common with most others in the hotel and catering industry, believes wages councils should be abolished for the following reasons.

The employees side is not representative, and therefore, has no responsibility for the decisions it influences.

Awards do not take account of trading conditions for the industry so there can be a high award in a bad year and vice-versa.

Wages councils do not affect large employers like ourselves who pay well above wages council rates, but smaller employers who provide the bulk of the employment within the industry can easily be put out of business with a high award at the wrong time with the resulting loss of jobs.

The hotel and catering industry lends itself very well to the development of apprenticeships, but the high percentage of adult rates which the wages councils have insisted should be paid to young people has greatly curtailed the opportunities that could have been offered.

Benefits and conditions (eg working week, holidays, etc) have been granted with little understanding of the special circumstances of the industry.

Donald D. Durban,

86 Park Lane, W1.

Subsidising sweatshops

From Mr R. Jowett

Sir—The argument that abolition of wages councils will lead to an increase in employment is based more on faith than fact. That such a step would depress both productivity and quality of manufacture is all too likely.

The suggestion, however, that taxation and benefit changes can allow employees to supplement low pay is far more disturbing. This would not be an attempt to address the "benefit trap," it would in fact be a subsidy to employers who are too inefficient or exploitative to provide decent wages.

I am not opposed to subsidies in principle, but they should make economic sense, such as assisting capital investment or serving a social purpose such as sustaining public transport.

That the Government can contemplate using public monies to subsidise sweatshops in declining industries is a clear sign of its political and moral bankruptcy.

Richard Jowett,
4, The Bank, Leamington,
Osenhops, W. Yorks.

Education and children

From Mrs M. Miller

Sir—Local authorities are backing off setting illegal rates but are already acting illegally by not carrying out their responsibilities set them by, for example, the 1981 Education Act. Giles Radice (May 14) seems to think that calling a school "comprehensive" and bussing children of all abilities into a conglomeration of school buildings is the answer to our problems.

Michael Dixon's example (May 15) of a class of 30 being disrupted by a 9/10-year-old boy who cannot read, write or concentrate, gives an indication of deeper problems than school organisation which should be addressed by implementing the 1981 Education Act by beginning to fit teaching and resources to the special needs of the children. Many teachers, says Michael Dixon, admit that their salary dispute is only one element in their dissatisfaction and low morale.

Of course, I base my ideas on my own experience. My local authority is not prepared to accept my son as one of these slow learners. We now pay £5,000 per annum at a special school (how's that for parental interest) where his reading age has increased from 64 years to 104 years in 18 months. Estimates of the numbers of (mainly) boys with these sorts of problems range from 5 to 20 per cent.

It's time we pushed aside excuses of administrative and teaching incompetence, parental

disinterest, lack of money and resources to do what we can even on a shoe-string. Every-one should agree that we must get the education system out of its present mess not only to ensure the future of our nation but to "lead out" the talents of all our children and to help them have an interesting, worthwhile life whether in or out of paid work.

Margot Miller,

Pump Close, Shilton, Oxon.

Engineers—or the horse and cart

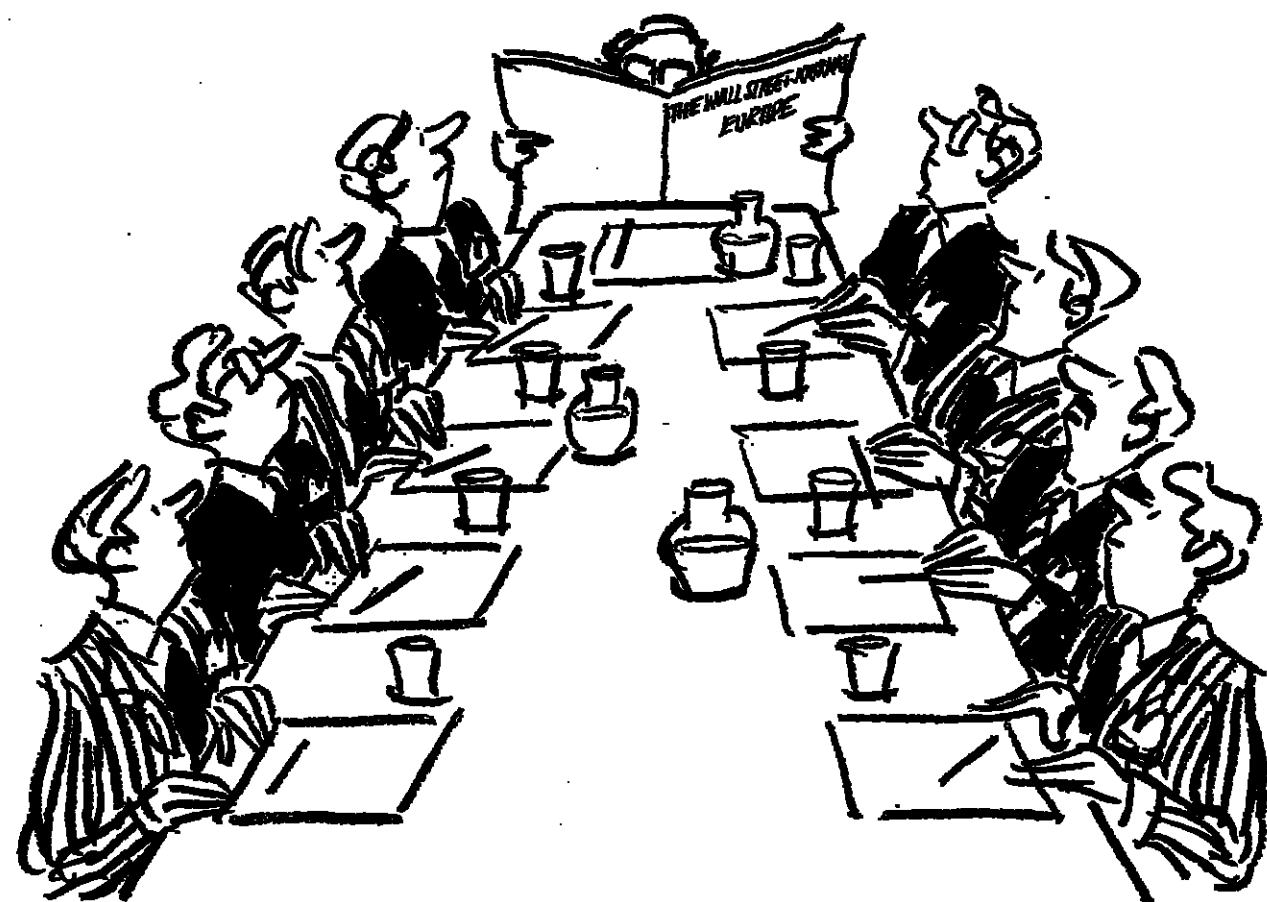
From Mr L. Fletcher

Sir—You have had correspondents who class people as accountants, engineers, lawyers, etc., as if they are produced from the same mould or serve a social purpose such as sustaining public transport. The choice of the individual makes is governed by a number of factors, not least (a) financial means and (b) following the same occupation as a parent. The trouble with any engineering that has creative content is that it is a very satisfying occupation. For this reason a large number of engineers do not wish to graduate into top management if this means losing contact with the engineering side. The normal ambition for power and higher income is balanced against the challenges of nature, and the latter often wins.

With regard to engineers being inarticulate, most technical reports I have read compare favourably with any other sort of document. It must also be remembered that an engineer is trained to communicate in pictures, that is what drawings are all about. One expects a politician to be verbally articulate since that is his training and he needs it for his craft. It must be said that a professional engineer with experience probably has a wider all-round knowledge than any other profession.

A lot of hard thinking and dirty hands went into aircraft, cars, oil rigs, computers, and all the gadgets we take for granted in and around the house.

In peace, as in war, success goes to the nation most technically advanced. Britain is now getting rapidly poorer because we have deviated from this basic fact. With our resources of materials and people we could be running neck-and-neck with the leaders, not trailing miles behind. Lawyers, accountants, doctors, etc., spend money, articulate or not engineers make it. Roll on our first engineer-Prime Minister, who, I am sure, would soon have every-one doing useful work.

L. M. Fletcher,
72, Sevens Road,
Chichester, Warrington.

Go STRAIGHT To THE TOP.

THE WALL STREET JOURNAL EUROPE

EVERY BUSINESS DAY, ALL OVER EUROPE.



FINANCIAL TIMES

Monday May 20 1985



Terry Byland on Wall Street High-tech gets a low rating

AMERICA'S love affair with computers, which seems to have replaced its earlier passion for the motor car, appears to be cooling off - at least on Wall Street. High-tech stocks, the original driving force of the post-1982 bull market, are now sensitive to a slowdown in orders, a highly competitive market, and several actual and near-bankruptcies in the industry.

More than \$13.5bn has been wiped off the market capitalisation of the top six computer companies in the past quarter. Last week the sector reacted nervously when Hewlett-Packard stock plunged, even though poor second-quarter figures had been widely expected.

The sector's weakness may reflect a deeper shift in the industry rather than merely a cyclical slowdown. Some hard lessons have been learned in the personal computer area. And now the big industrial and business buyers, the mainstay of the computer manufacturers, are having second thoughts too.

Traditionally, the purchase and application of computers at major corporations rested with corporate computer staffs, usually called management information systems (MIS). This benefited established computer manufacturers, in particular IBM.

"You never get fired if you buy IBM," as cynical MIS executives were prone to put it. But it seems that decisions on purchases have been taken out of their hands. They are increasingly made by front-line

Stock	Price	85 Peak
Apple	21 1/2	31
Hewlett-Packard	34 1/2	39
Data Gen	41 1/2	76
Digital Equip	10 1/2	128
IBM	13 1/2	138
S & P 500	187.42	187.42

manufacturing and marketing managers, under the aegis of the boardroom chiefs, who have noticed that in the 1970s, U.S. industrial productivity remained flat, despite massive injections of expensive computers.

General Motors, having spent \$3bn in purchasing Electronic Data Systems, has left it as an independent entity, reporting direct to Mr Roger Smith, GM's chief, and with full responsibility for the \$5bn Saturn project.

Other leading corporations to introduce similar high-level computer strategies include General Electric and BankAmerica. Recent research indicates that 5 per cent of MIS managers now report directly to the board.

For the computer manufacturers, this means opportunities as well as risks. At Butterfield Singer, the Philadelphia-based brokerage firm, Mr Nicholas Pagon and Mr Michael Howe point out that the shift could help smaller companies challenge IBM in the battle for the estimated \$100bn to \$150bn auto automation market.

They have discovered that, as expected, 75 per cent of MIS managers plan to buy IBM machines this year, while only 5 per cent intended buying Apple Computer's Macintosh. But the same survey showed that more than 30 per cent of the potential end-users, the front-line men, wanted a Macintosh.

IBM has moved quickly into the market for business desktop machines, and has impressed all comers with its marketing expertise. Nevertheless, Apple, which has hardly touched the corporate market yet, has great opportunities to sell the Macintosh there. To begin with, it can capitalise on its strong position in the educational market, where tomorrow's executives are presumably busy getting their computer grounding.

At \$21 1/2, Apple is 30 per cent off its 1985 peak, which is hardly odd with the new record levels of the Nasdaq and other broadly-based market indices.

Hewlett-Packard was treated harshly by the market last week. It has already "established a beachhead" among front-line corporate executives, according to Mr Michael Howe. By next year, it will have introduced a replacement for its existing "old but good" HP-3000 model. Like most in the industry, Hewlett has little going for it this year. But its high reputation among corporate customers will pay off in 1986, when earnings a share could increase from about \$2.15 to \$2.50, or even \$3.00, believes Butterfield Singer.

If there is to be a loser from the changing attitudes towards computers by U.S. corporate executives, then Butterfield Singer's wooden spoon to Data General, which has already been hammered in the stock market. Data General will suffer because it lacks utility as a presence among front-line managers, thinks the Philadelphia firm. More than two thirds of Data's sales are to original equipment manufacturers, which cuts the company off from the corporate end users who are becoming so important.

Liaison team row shows frailty of HK accord

BY DAVID DODWELL IN HONG KONG

BRITAIN at the weekend bowed to pressure from Peking over membership of the body that will over the next 12 years oversee Hong Kong's transition to Chinese sovereignty. In the face of Chinese refusal to accept Mr Eric Ho, a Hong Kong Chinese, in Britain's three-man team, Whitehall has granted Mr Ho full British citizenship.

A dispute over the membership of the joint liaison group, which is intended to begin its work in July, has brought to an early end the honeymoon period that followed the signing in December of the Sino-British agreement on Hong Kong's future after 1997.

Whether the dispute has cast a cloud over the planned visit to Britain in June of Chinese Premier Zhao Ziyang is as yet unclear, but officials see it as an early reminder that Britain and China remain deeply divided over a number of issues linked with Hong Kong's future, and that the joint liaison group has a difficult agenda ahead of it.

Whitehall will announce tomorrow that Mr Ho, who is currently Hong Kong's Secretary for Trade and Industry and one of the territory's most senior civil servants, is to be given a British passport. At present he holds a New Zealand passport and a British dependent territories passport.

The Chinese Government has until now objected to Britain's proposal to have Mr Ho on the joint liaison group as a member of Britain's three-man team because he is a Hong Kong Chinese. This is in spite of the fact that each side is in theory entitled to choose freely its own members. Peking argues that Mr Ho is ethnically Chinese, and as a holder of a Hong Kong travel document is in reality a Chinese citizen. They refuse to have a Chinese face the negotiating table.

Britain has argued that it is important to have a Hong Kong voice on a body that is likely to address issues which have a critical bearing on the territory's future. Rather than capitulate by withdrawing Mr Ho's name, Whitehall concluded

that the only basis for compromise was to give him full British nationality.

The joint liaison group is intended to begin work shortly after the Sino-British agreement is ratified next week. Until 1988, it will meet alternately in Peking, London and Hong Kong. After that date, it will be based permanently in Hong Kong.

Our Hong Kong correspondent adds: Prime lending rates in Hong Kong have been cut by a half of a percentage point to 8 1/2 per cent, with effect from today. Barring a brief period in March last year, this marks the lowest interest rate level in the territory for seven years. Prime rates peaked at 17 per cent last July as political uncertainty swept the colony.

Local analysts attribute the steady recovery since then to a revival of confidence in Hong Kong's economy, to the steep fall in interest rate levels in the U.S., and to local bankers' difficulties in lending money in sufficient quantities at recent interest levels.

Belgian group to underwrite Ansbacher issue

By Alexander Nicoll in London

HENRY ANSBACHER, the UK-based merchant banking and insurance broking group, is to launch a \$25m cash-raising exercise, considerably larger than was envisaged three months ago when the company extricated itself from a disastrous acquisition on Wall Street.

A rights issue to be announced this week will be underwritten by Groupe Financier Belge (GFB), a Swiss-Belgian financial conglomerate which injected £23.3m into the group a year ago when it took a 29.9 per cent stake.

GFB, headed by the Belgian former steel chief Mr Albert Frère, will emerge with at least a 50 per cent holding as a result of the underwriting and adjustments to the conversion terms of £14.5m of loan stock. Its stake may be larger, depending on the extent to which GFB shareholders take up their rights.

The share issue was expected to be at 50p a share, compared with Friday's 60p closing price at which Ansbacher was capitalised at £22.4m.

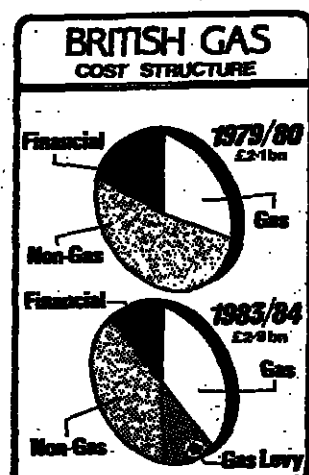
In January, Ansbacher said the rights issue would total at least the sterling equivalent of \$15m (£11.8m), slightly more than a \$13.6m provision taken by the UK group as a result of its purchase and sale of Laidlaw, Adams and Peck, a New York securities firm.

Ansbacher acquired Laidlaw last September, agreeing to pay up to \$10m. It planned a merger with its other U.S. interests, which include a successful mergers and acquisitions business. But by January, Laidlaw's losses were mounting and Ansbacher announced that the firm was being sold back to its original owners.

Mr Charles (now Lord) Williams resigned as Ansbacher's managing director and was replaced by Mr Richard Penhale, formerly of the merchant bank Guinness Mahon. A rationalisation has since been underway.

GFB, whose other interests include Drexel Burnham Lambert of the U.S., Ste Industrielle de Banque de Paris and Paribas Suisse in Geneva, is thought to want to build up Ansbacher as a UK flagship.

THE LEX COLUMN Balloon goes up for British Gas



As befits its business and product, the British Gas Corporation is extremely sensitive about inflation and offers the world a peculiarly virulent example of Current Cost Accounting. All over the City of London, there are fresh-faced new adherents of CCA now scrambling for the favour of managing the corporation's offer for sale, but they are finding British Gas no easier to pin down than did the consultants of Deloitte in 1983. More even than British Telecom at the same stage of its career, British Gas looks neither utility flesh nor growth stock fowl.

After a little hesitation, BT took off and now hovers round a prospective earnings multiple of nearly 18. British Gas has an even greater proportion of its assets under the feet of possible investors than BT, but it is hard to imagine anyone pushing the same sort of value-added networks down 60-year-old shareholders' throats. Therefore, may be more limited, British Gas looks very much like a pipeline utility and would be sold on a correspondingly higher yield and lower multiple.

It is not a business so far much concerned with profits, but its zeal for cash knows no bounds. As a corporation, British Gas has striven to plough this cash entirely back into its regulated business - among other means, by charging the full replacement cost of its assets to national profit. But in 1983-84, the Esso network worth say £2m at historic cost and about twice that in the accounts, would not offer much break-up value. Even in Mr Thatcher's Britain, it is not easy to see a revival of private gas companies to take the assets in the piecemeal way assumed by such a valuation.

A more interesting comparison may be made with pipeline utilities in the U.S., which are effective monopolies in their regions and are regulated. These now trade on 8-10 times earnings - multiples that suggest the imminent attention of a Mr T. Boone Pickens. British Gas will probably be bid-proofed from the outside, and would anyway command a price-earnings ratio in line with expectations of U.K. regulated gas. An historic cost £750m net profit in 1983-84, or a little over £1bn without the levy, would price the entire corporation in the market at £8bn or more.

Even this price could prove most test if British Gas were able to use its cash to diversify - preferably with more complete success than some U.S. equivalents. But the price must take account of two negative imponderables, fairly parcelled out between the Treasury and the Department of Energy.

British Gas is bound to argue that the Treasury levy cannot co-exist with dividend payments of £500-£600m a year at the expected yield. If the sale of state assets really is a political statement as well as a PSBR exercise, it is not obvious why a private British Gas should collect a consumption tax for the government. Equally, for all the Treasury's suspicion of financial management at debt-free state industries, British Gas has made some impressive cuts in its non-gas costs. It will strongly resist the imposition of large lumps of debt.

Yet the Treasury will scarcely content itself with Corporation Tax on a revenue source every bit as useful as BP. Though the price of gas supply has climbed steeply as old contracts wind down, British Gas is still paying a fraction of the overall 16p a therm average for the Southern Basin gas. Domestic gas users are paying 37p plus a standing charge. The Treasury could have some fun juggling these possible revenue streams: a levy, its take from the oil companies selling gas at higher prices and, just possibly, a residual shareholding.

Nobody knows quite what the Energy Department will do. Unlike BT, British Gas is bound to find itself closely regulated at both ends: limited on consumer gas prices, restricted in competition with other fuels and, possibly, open to Slesser-style attacks on depletion policy as well. Although a company which is forced by its price regime to seek efficiency gains may show some earnings growth, that is not a very enticing prospect. It is, at least, more appealing than a maximum return of assets which would merely encourage magnetic acquisitions.

British Gas may go so far as to claim that consumers, who financed the Morecambe Bay and Bough projects, should enjoy the flotation benefits pro rata to their gas bills. In that case, the sale of British Gas will be even more complex, as well as larger, than that of BT. And there is not much time.

U.S. may flout Gatt in dispute

BY NANCY DUNNE IN WASHINGTON

THE U.S. is considering "flouting" the General Agreement on Tariffs and Trade (Gatt) to retaliate against three or four EEC products in a long-running dispute over citrus exports to the EEC, according to officials in the office of U.S. Trade Representative.

This is the latest in a series of seemingly intractable differences over agricultural trade and evolves from a long-standing U.S. complaint of injury to its citrus exports as a result of preferential treatment extended to Mediterranean citrus producers.

A Gatt panel in November found that U.S. oranges and lemons had suffered injury and recommended a reduction in the most favoured nation duty imposed on the U.S. products. However, the Community has been blocking adoption of the report by the Gatt council.

The Reagan Administration has decided to consider the case closed and to retaliate without the go-ahead of the Gatt. In public hear-

ings on May 10 the office of the Trade Representative presented a list of 23 products under consideration for either higher duties or quotas and welcomed other suggestions. Three or four are to be selected with final recommendations going to the President by May 30.

The Trade Representative's list includes: Danish herring and cod, UK and German candy, French onions and vegetables, Italian tomatoes and tomato paste and sauce, Dutch cabbage and tomatoes, and Greek vegetables.

In the view of Mr Donald M. Nelson, the Trade Representative's assistant for agricultural and commodity policy affairs, the Community's preferences to the Mediterranean countries are not consistent with the Gatt. The unsatisfactory dispute settlement process has run its course, he said, and the U.S. is required by domestic law to impose its own settlement. Unlike the EEC, the U.S. received a waiver from the Gatt for the preferences it grants under its Caribbean basin initiative.

Within the wider trade community there is fear that U.S. actions against EEC imports will bring retaliation by the EEC which could escalate to soybeans and wine.

The President may still veto retaliation, but it has its supporters among other citrus producers and trade officials who say they were "naive" in trying for years to negotiate a bilateral agreement with the EEC and must act.

Satellite launch costs likely to rise

Continued from Page 1

owner normally has to pay \$7m to McDonnell Douglas to pay for a separate motor to boost the craft to the right altitude.

Nasa says that, as the agency doubts its shuttle flight rate from the current level of 12 a year, operating costs will gradually fall by 1988 to around \$87m.

As a result, assuming that the commercial charges stay the same, the difference between the cost of running the shuttle and the fees collected from customers would disappear.

If the charges went up, Nasa would make a profit, but at a price of scaring away customers. "It would adversely impact the notion of expanding commercial uses of

space," says Mr Isaac Gillam, the agency's assistant administrator for commercialisation.

Other participants in the rocket business dispute Nasa's figures. Mr Dennis Ahern, a spokesman for Transpace, accuses the agency of "phony accounting." He says current shuttle costs come to \$200m-\$250m a flight.

For its part, ArianeSpace claims it operates virtually without subsidies. Mr Deschamps says the company pays a fee for use of the European Space Agency's rocket base in French Guiana which is less than true cost - but that this amount is very small compared with the support given to the shuttle.

ArianeSpace does not attempt to

recoup the development cost for Ariane of about \$750m, the bill for which was paid over a decade by European governments.

Last year, ArianeSpace, which is 50 per cent owned by French interests, made a small profit of FF 10m for the seven months in which it was in commercial operation. That was on a turnover of FF 700m, representing four satellites launched.

The first commercial Ariane launch was in May 1984 - previous flights were the responsibility of the European Space Agency.

This year Ariane is scheduled to put into orbit 10 or 11 satellites. Ariane's 13th lift-off was completed successfully earlier this month, putting into space a French Telecom

satellite and a spacecraft for GTE of the U.S.

Ariane prices for satellites of about 12 tonnes are \$25m to \$30m. Rebates of about 10 per cent are, however, made for launches where ArianeSpace is in competition with the U.S. The price for a vehicle owned by Satellite Business Systems, a U.S. company, to be launched next year is believed to be about \$24m.

ArianeSpace has to dig into its reserves for each flight to insure certain costs, and to cover the costs of investigations and clearing up in the case of accidents. The company believes it needs greater sums in hand to cover such eventualities, arguing that mishaps are "ineluctable" in the space business.

Eurasbank provisions up

BY RUPERT CORNWELL IN BONN

POSSIBLE LOSSES in the Far East have forced the Hamburg-based European Asian Bank (Eurasbank), 60 per cent controlled by Deutsche Bank, to make special risk provisions of DM 400m (\$120m) for last year. The sum is almost equal to the bank's current issued capital and reserves of DM 410m.

Confirmation of the extent of the bank's difficulties was given in the 1984 annual report by Herr Hans-Henning Offen, installed by Deutsche Bank as Eurasbank's new chief executive last March when two previous directors were removed from its three-man executive board.

World Weather

Place	°C	°F	Place	°C	°F	Place	°C	°F
Alaska	-24	-11	London	12	54	Stockholm	10	50
Amsterdam	10	50	Madrid	15	59	Switzerland	15	59
Antwerp	10	50	Moscow	10	50	Taipei	22	72
Athens	18	64	Nairobi	18	64	Tokyo	18	64
Bahia	24	75	Paris	15	59	Washington	15	59
Bangkok	28	82	Rome	18	64	Wellington	12	54
Bombay	30	86	Sao Paulo	18	64	Winnipeg	10	50
Buenos Aires	18	64	Seoul	10	50	Zurich	10	50
Calcutta	30	86	Singapore	28	82			
Cairo	28	82						
Cardiff	10	50						
Chennai	30	86						
Cebu	28	82						
Dakar	24	75						
Dhaka	30	86						
Dublin	10	50						
Edinburgh	10	50						
Hankow	18	64						
Hong Kong	28	82						
Kobe	18	64						
Kuala Lumpur	28	82						
London	12	54						
Los Angeles	18	64						
Lyons	15	59						
Manila	28	82						
Mexico City	18	64						
Moscow	10	50						
Mumbai	30	86						
Nairobi	18	64						
Osaka	18	64						
Paris	15	59						
Peking	10	50						
Rangoon	28	82						
Rio de Janeiro	18	64						
Rome	18	64						
Sao Paulo	18	64						
Seoul	10	50						
Singapore	28	82						
Sydney	18	64						
Taipei	22	72						
Tokyo	18	64						
Washington	15	59						
Wellington	12	54						
Winnipeg	10	50						
Zurich	10	50						

Argentine freeze

Continued from Page 1

In effect, however, the announcement of the weekend measures represent a significant departure in the public strategy of the government. Central bank officials had been insisting that the situation was well under control, following the liquidation of the Banco de Italia y Rio de la Plata.

There are as yet no official figures on the total amount of money that may have been withdrawn from the system over the last week, or the monetary expansion implied by the "safety net" of special advances which the central bank introduced on a preliminary basis last week.

However, according to some banking sources savers may have withdrawn as much as \$300m thus adding to the capital flight which has continued since the Falklands war in 1982. The estimated \$700m in foreign currency deposits, which are believed to have existed just before Banco de Italia y Rio de la Pla-

ta's collapse, compares with over \$200m held by Argentines in foreign bank accounts.

Over the last week, the central bank has been forced to step in with emergency lines of credit to help banks which find themselves unable to pay out fixed term deposits falling due and which are not covered by guarantee.

Bankers expect the next few days will be critical in determining whether the weekend measures restore stability in the system, or undermine public confidence still further. The latter could stimulate a run on peso deposits which are guaranteed by the central bank and which constitute about 80 per cent of total deposits of the system.

Argentina's potentially most serious banking crisis since the collapse of the Banco Interamericano Regional in 1980 is expected to lead to a further setback in the renegotiation of some \$200m worth of foreign debt.

Thatcher backs use of veto

Continued from Page 1

gar, tobacco and wine, the price decisions reached in Brussels were much better than could have been hoped for only a year ago.

Mrs Thatcher apparently feels it to be more important to underline Britain's support for the principle of the national veto than its disappointment with the way the discussions on cereal prices have been go-

ing. "We are by no means devastated by what has happened in Brussels," one official said.

Mrs Thatcher and Herr Kohl also discussed President Ronald Reagan's Strategic Defence Initiative, or star wars, with the West German Chancellor expressing some of his Government's reservations on the project.

The European Banking Currency Income Fund Limited

The Right Combination

Following the success of The European Banking Traded Currency Fund which has shown an annualised return of 15.67% net in Sterling terms since its launch in December 1983 to April 1985, European Banking Company is pleased to announce the launch of a Sterling-denominated fund which will seek distributor status. The new fund - The European Banking Currency Income Fund - will be based in Jersey.

This is an exciting and attractive investment opportunity which offers the

UK investor the right combination of investment expertise with proven professional currency management. The same skills and resources are available to investors in this new fund which will aim to produce a superior level of income which will be distributed twice a year.

The Initial Offer Period of the Fund runs from 13 May-7 June 1985 during which shares will be offered at an introductory price of £10.40 (equivalent to 1% reduction in initial charge). The minimum investment is £1,000.

The full prospectus can be obtained by completing and posting the coupon below.

This advertisement is published by European Banking Company Limited on behalf of EBC Trust Company (Jersey) Limited

Custodian: Midland Bank Trust Corporation (Jersey) Limited, 28-34 Hill Street, St. Helier, Jersey, Channel Islands.

To: EBC Trust Company (Jersey) Limited, EBC House, 1-3 Seale Street, St. Helier, Jersey, Channel Islands. Please send me a copy of the Prospectus of The European Banking Currency Income Fund Limited (on the terms of which alone applications will be considered)

Name _____
Address _____
Telephone (Office) _____ (Home) _____
Please telephone me to discuss the Fund ☐ FT200585

حکومت من الرض



SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Monday May 20 1985



Canadian borrower bypasses the banks

By PETER MONTAGNON, EUROMARKETS CORRESPONDENT, LONDON

DO TOP grade borrowers in the Euro-markets need commercial banks any more? This was one question being asked last week in the wake of an announcement from Canada's Export-Development Corporation (EDC) that it is to start issuing unlimited amounts of Euro-commercial paper from today.

The paper will not be underwritten; nor will the programme be accompanied by any form of standby credit. In other words EDC feels its own rating and the basic demand from non-bank investors for short-term dollar securities are both strong enough to allow it to dispense with commercial bank support altogether.

This move struck a chord in a week which also saw the launch of a \$150m. Euro-commercial paper programme from PKBank, which is being arranged by Citicorp, Merrill Lynch and PK Christiania. Like the EDC programme, this issue carries no commercial bank back-up at all.

Investor interest in Euro-commercial paper seems to be growing, particularly in Switzerland, where there is a demand for high-grade short-term dollar assets. As U.S. commercial paper market rates have risen close to those prevailing on the Euro-market, more borrowers are also interested in raising funds in this way. As they do so, more and more are now clearly questioning the need for bank back-up facilities.

It would be cruel to suggest that this means the Euro-note issuance facility which many banks have spent a long time perfecting is simply a staging post in an evolutionary process towards a short-term paper market in which banks have no role except as dealers and distributors of securities.

The bank back-up facility which is an integral part of a Euro-note deal still has an important role to play. Sovereign borrowers need the assurance of knowing, for example, that money will be available to them over the medium term and a

bank back-up provides just this type of insurance.

But some bankers now concede that the arrangement of backstops does not necessarily have to be directly coupled to a Euro-note facility or commercial paper programme. At the same time the knowledge that they could tap the paper market on their own is bound to cause top-grade borrowers to resist upward pressure on facility fees, even if planned regulatory changes by central banks push up the cost to banks of providing standby credits.

It may well be resignation on this score that has prompted so many banks to pile into the \$400m facility for Electricité de France, which has collected \$300m worth of commitments from the market despite its low 6% basis point fee. The deal is to be increased to between \$600m and \$800m. Merrill Lynch also reports a spectacular success for its more generously priced \$600m facility for Deere, the U.S. farm equipment maker which has been raised to \$1.3bn.

As expected, Czechoslovakia has meanwhile won very fine terms on its first Eurocredit since 1983. It is raising \$100m over eight years with a deal led by Credit Commercial de France on which it will pay a margin over Eurodollar rates of 1/4 per cent for the first two years rising to 1/2 per cent thereafter. The borrower's rare name and its record for tight debt management have clearly paid off. But the terms on the deal left last week's other East European credit, a \$200m borrowing for East Germany, looking distinctly generous. It is paying 1/2 per cent over Eurodollars or 1/4 per cent over prime.

The inclusion of a floating rate note option in the \$200m Euro-note facility for Danish Export Finance helped the deal to an honourable close last week. Several underwriters, who had earlier been resisting the operation, are expected to use the option to convert their note underwriting obligation into commitments to a floating rate note.

American Savings' outflow continues

By William Hall in New York

AMERICAN Savings and Loan, the biggest U.S. savings bank, lost \$1.1bn of its deposits last month, the third month in a row that it has suffered a deposit outflow.

The steady decline in the deposits of the bank, which reported losses of close to \$900m in 1984 is likely to add to the concern of the U.S. authorities about the growing crisis of confidence in the savings bank industry.

Over the last two months, the authorities have been forced to step in and calm nervous customers following sizeable runs on deposits of small savings banks in the states of Ohio and Maryland.

While few depositors have lost any money, they have found it more difficult to make withdrawals and this is leading to a steady switch of deposits out of savings banks and into less risky commercial banks.

Although the U.S. Federal Reserve did not include the recent problems among the savings banks for its decision to cut the discount rate last Friday, many observers on Wall Street believe the U.S. authorities are more concerned than they admit about the escalating problems in the thrift industry.

American Savings says that many high-cost deposits were not renewed after it decided to cut its interest rates. It also said depositors had been withdrawing funds to pay their taxes.

American Savings' parent, Financial Corporation of America, disclosed the deposit outflow in a filing with the U.S. Securities and Exchange Commission. Its total deposits have fallen from \$20.3bn at the end of 1984 to \$17.7bn at the end of April.

INTERNATIONAL BONDS

Fixed rate deals back in fashion

By MAGGIE URRY IN LONDON

WITH the Eurobond market still strong last week, syndicate managers and secondary market traders had a hectic time. By Thursday most were glad that the Ascension Day holiday across Europe meant a quiet end to the week.

Australia caught the mood of the market on Monday, launching a \$300m two-tranche issue led by Deutsche Bank. The timing proved perfect and by the end of the week both tranches were offered at par.

Other fixed rate deals followed, some good, some not so good. But many new issue managers had expected even more and suggested that borrowers were hoping for even lower interest rates before committing themselves. It should not take long, if the rally continues, to reach the point where they will.

Syndicate managers had time for innovation though. Goldman Sachs brought the idea of the shelf registration to the Eurobond market with a \$100m deal for Swedish Export Credit (SEK). This has a \$400m tap attached, allowing SEK to make further issues without the time and expense needed to go through the whole performance of syndicating a

deal again. It also gives SEK great flexibility in being able to issue amounts of only a few million dollars according to its financing needs.

A partly-paid zero-coupon bond issue must be an investor's dream, offering a double ration of gearing. American Express produced just such a delight, and with only \$4.50 payable at the outset - the rest is due on December 12 - the bonds traded above that level.

The floating rate note market is not in as good shape as the fixed rate sector. National Westminster's perpetual duty arrived and at \$1bn may have absorbed a large part of the remaining demand for such paper.

Expected around the middle of this week is the Bank of China's first Eurobond issue - a DM 150m, seven year deal to be led by Deutsche Bank.

In Switzerland, the Swiss National Bank has lifted the remaining restriction on foreign public bond issues which can now be for sums in excess of SwFr 200m. Syndicate managers felt, however, that market demand could provide an equally strong restriction on issue size

traders realised that this was not a downgrading of Midland in general, the bonds recovered to a level of 99.70 bid, with a little help from lead manager Samuel Montagu, down from 99.85. However, the incident does beg the question of whether perpetual debt without a top grade rating should be sold on such relatively fine terms.

New issue activity in the other currency sectors of the Eurobond market has remained high, with deals coming in a wide range of markets. Many of the smaller and newer sectors - such as Norwegian kroner and French francs - seem to guarantee issuers success.

Expected around the middle of this week is the Bank of China's first Eurobond issue - a DM 150m, seven year deal to be led by Deutsche Bank.

In Switzerland, the Swiss National Bank has lifted the remaining restriction on foreign public bond issues which can now be for sums in excess of SwFr 200m. Syndicate managers felt, however, that market demand could provide an equally strong restriction on issue size

EUROMARKET TURNOVER Turnover (\$m)				
Primary Market	Straights	Conv	FRN	Other
U.S.\$	2,234.0	63.2	2,109.8	99.0
Prev	1,684.2	148.5	3,894.7	91.0
Other	1,020.6	6.1	391.0	2.4
Prev	1,149.9	143.1	128.8	29.5
Secondary Market	U.S.\$	DM	FRN	Other
U.S.\$	14,760.8	584.1	10,082.4	1,326.4
Prev	14,357.8	581.2	10,178.2	1,788.9
Other	3,022.9	104.3	554.9	1,042.5
Prev	2,593.3	41.7	645.5	1,173.1
Credit Euroclear	U.S.\$	DM	FRN	Other
U.S.\$	8,434.7	21,224.9	31,259.6	3,228.5
Prev	9,822.3	22,326.2	32,228.5	3,281.7
Other	3,261.7	2,948.7	6,210.4	2,778.1
Prev	2,778.1	2,743.8	5,022.9	

Week to May 16, 1985 Source: AIBD

Banknote Gutzwiller decided to postpone the two-tranche issue for Ferrovie dello Stato, the Italian state railway, until changes in the law regarding the administrative proceedings for loans to the borrower are published.

International bond issues, Page 16

Harvester picks up in second quarter

By Paul Taylor in New York

INTERNATIONAL Harvester, the hard pressed U.S. commercial vehicle manufacturer which recently sold off its farm equipment division to Tenneco, achieved a \$31m net operating profit in the quarter ending April 30, buoyed by a 7 per cent increase in shipments of medium and heavy-duty trucks and diesel engines.

The operating profit, equivalent to 21 cents a share, compares to net earnings from continuing operations of \$22m or 14 cents a share in the fiscal first quarter and \$31m or 24 cents a share in the year ago period on sales which increased to \$915m in the latest period from \$857m a year ago.

A \$28m tax credit lifted net earnings to \$59m or 42 cents a share compared to a net loss of \$1m in the year ago period, when there was a \$55m loss from discontinued operations and extraordinary income of \$23m.

Mr Donald Lennox, chairman and chief executive, said moderate industry order activity for heavy trucks indicates that demand for the second half of fiscal 1985 could fall below last year's level. But he added that strong demand in the first half could bring the full year above 1984's levels.

For the fiscal first half Harvester reported net earnings from continuing operations of \$53m or 35 cents a share compared to \$28m or 18 cents a share a year earlier. Sales increased to \$1.76bn from \$1.53bn.

The group recently won amendments to its loan agreements from its lenders made necessary because the sale of the farm equipment business gave the company a negative net worth of \$175m. It reported a first-half net loss of \$475m, reflecting a \$576m loss on discontinued operations, partly offset by a \$48m tax credit.

Problems of controlling a moving game

THE EUROBOND new issue business is a river of constant change which flows ever faster. Last week's recommendations from the new International Primary Market Association (IPMA) attempt to give lead managers and their syndicate members some standards to work by. In some cases it may mean book runners telling co-managers that IPMA guidelines will not apply to a particular issue - but at least then the managers will know which method is being adopted.

The new guidelines could themselves spark changes in the way business is done in this rapidly expanding and very competitive market. These days the bought deal - where the lead manager of an issue guarantees terms to the borrower

and then goes about syndicating the issue - is common throughout the Eurobond market.

Bankers trying to break into the market may, in a round of competitive bidding, promise a borrower terms tighter than market conditions really justify. Then the winning book runner must persuade other banks to share the risk of the deal falling and the bonds being sold at a loss. Under the IPMA-recommended way of running an issue, lead managers may be deterred from making such over-aggressive bids.

Co-managers in such deals have sometimes seen their fees wiped out, either as they have themselves sold bonds at a loss, or because the book runner has bought bonds back

in an attempt to support the price and then charged the resulting losses against the co-managers' fees.

Under the new IPMA recommendations, co-managers could be liable to lose only their underwriting fees as a result of stabilisation activity by the book runner. That would total 1/4 per cent of the issue's value on a typical five to seven-year fixed rate Eurodollar deal.

Further, the recommendations say that book runners should indulge in stabilisation only to serve towards an orderly distribution of the bonds. Some book runners have used the stabilisation account, says Mr Hans-Joerg Rudloff of IPMA and Credit Suisse First Boston, to keep a price at an unrealistic level

in order to prove that the bid was realistic, or to show the borrower that the deal is selling well. As a result the stabilisation account could have become a big trading account - with the trader using other people's money.

When the book runner has to bear the cost of excessive support of a deal, the incentive to price the issue correctly in the first place is much higher.

Meanwhile some of the major houses in the market - such as CSFB and Deutsche Bank - have been keeping co-management groups for some issues deliberately small. By inviting only a few banks into the deal, the book runner can keep much tighter control over the issue

All of these Securities have been sold. This announcement appears as a matter of record only.

U.S. \$150,000,000

Sanwa International Finance Limited
(Incorporated in Hong Kong with limited liability)



11 1/2% Guaranteed Notes Due 1992

Unconditionally and irrevocably guaranteed as to payment of principal and interest by

The Sanwa Bank, Limited

(Kabushiki Kaisha Sanwa Bank)
(Incorporated in Japan with limited liability)

SANWA INTERNATIONAL
Limited
CREDIT SUISSE FIRST BOSTON
Limited

MORGAN STANLEY INTERNATIONAL
KIDDER, PEABODY INTERNATIONAL
Limited

MORGAN GUARANTY LTD

AMRO INTERNATIONAL
Limited
BANKERS TRUST INTERNATIONAL
Limited
CHASE MANHATTAN CAPITAL MARKETS GROUP
Chase Manhattan Limited

BANKAMERICA CAPITAL MARKETS GROUP
Baring Brothers & Co.,
Limited
CHEMICAL BANK INTERNATIONAL GROUP
Limited

CITICORP CAPITAL MARKETS GROUP
CREDITANSTALT-BANKVEREIN
GOLDMAN SACHS INTERNATIONAL CORP.

COMMERCIAL BANK
Limited
DAIWA EUROPE
Limited
ENSKILDA SECURITIES
Limited
KREDIETBANK INTERNATIONAL GROUP
Limited

MANUFACTURERS HANOVER
SAMUEL MONTAGU & CO.
NOMURA INTERNATIONAL
Limited

MERRILL LYNCH CAPITAL MARKETS
THE NIKKO SECURITIES CO., (EUROPE) LTD.
SALOMON BROTHERS INTERNATIONAL
Limited
SHEARSON LEHMAN BROTHERS INTERNATIONAL
Limited

J. HENRY SCHRODER WAGG & CO.
Limited
SOCIETE GENERALE
SWISS BANK CORPORATION INTERNATIONAL
Limited

ORION ROYAL BANK
Limited
SVENSKA HANDELSBANKEN GROUP
TOYO TRUST INTERNATIONAL LTD.
YAMAICHI INTERNATIONAL (EUROPE)
Limited

WESTDEUTSCHE LANDESBANK
GIROZENTRALE
April 26, 1984

This announcement appears as a matter of record only.



French Franc Retractable Bonds due 2000

comprising

an initial tranche of FF 500,000,000

and

a second tranche (not exceeding FF 250,000,000)

to be issued in exchange for

Gaz de France French Franc 13 1/4% Bonds 1981-1986

The Bonds may be redeemed at the option of the Holder or the Issuer

on May 10, 1990 and May 10, 1995. Final maturity: May 10, 2000

Interest Rate: 11 1/4% until May 10, 1990

and thereafter as determined by the Issuer on May 10, 1990 and May 10, 1995

Unconditionally guaranteed by
The Republic of France

Credit Commercial de France

Caisse des Dépôts et Consignations • Morgan Guaranty Ltd

Amro International Limited • BankAmerica Capital Markets Group
Banque Bruxelles Lambert S.A. • Banque Indosuez
Banque Nationale de Paris • Banque Paribas Capital Markets
Baring Brothers & Co., Limited • Commerzbank Aktiengesellschaft
County Bank Limited • Credit Lyonnais
Credit Suisse First Boston Limited • Dresdner Bank Aktiengesellschaft
Kreditbank International Group • Morgan Stanley International
The Nikko Securities Co., (Europe) Ltd. • Nomura International Limited
Salomon Brothers International Limited • Shearson Lehman Brothers International
Société Générale • Société Générale de Banque S.A.
Swiss Bank Corporation International Limited • Union Bank of Switzerland (Securities) Limited
Westdeutsche Landesbank Girozentrale

New Issue • May 10, 1985

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

CORPORATE FINANCE

Pirelli reshapes debt to lure foreigners

ALTHOUGH it is Italy's leading tyre and cables company and a major force in the world market (with 1984 sales of \$3.4bn), Pirelli has rarely approached the Eurobond market for funds. The reason is simple: until recently Italian corporate names were not the type to fire the imagination of lead managers or their ultimate targets, whether they be institutional investors or the famed Belgian dentists and Swiss goomes.

But Pirelli announced last week that it is to restructure a significant portion of its \$1.1bn aggregated total debt. The Milan-based group is to achieve this through the issue of 1,500bn (\$1.5bn) of bonds and shares. Around 1,300bn of the issues are to be launched as Eurobonds convertible into Italian and Swiss shares, which is itself an unusual development.

The plan to launch Eurobonds convertible into shares in

Pirelli SpA, the Italian holding company which controls 46 per cent of worldwide operations, is an event in itself. It is believed to be the first time an Italian corporate borrower has assumed there is interest on the part of foreign investors in Eurobonds convertible into Italian equities.

The assumption of interest is, however, more than reasonable. Foreign interest in the Milan bourse has increased dramatically in recent months, with significant purchases by U.S., British, West German and Japanese institutional investors. The share price average on the Milan bourse rose by a staggering 10 per cent last week alone, following regional elections which reinforced the five-party coalition of Prime Minister Bettino Craxi.

Mr Hans-Joerg Rudolf, the Eurobond maestro who is deputy chairman of Credit Suisse First Boston (CSFB), the expected lead-manager of

the Pirelli Eurodollar bond, agrees with Pirelli's assessment that the type of issue now under discussion would have been unthinkable 12 months ago. "Italy's credit rating has improved greatly over the past year and as far as Italian private companies are concerned, there is a different perception from the past in the market. The companies have profoundly improved their balance sheets and have a more international outlook," he comments.

The Pirelli debt restructuring will involve the issue of 1,000bn of bonds on the Italian domestic market, 1,000bn worth of shares on the Swiss market (in the name of Societe Internationale Pirelli the Swiss holding company which also controls 46 per cent of Pirelli worldwide) and the balance in Eurobonds, probably in Eurodollars, Swiss francs and Deutsche marks.

At present roughly 55 per cent of Pirelli's \$1.1bn of debt

is short-term. After the restructuring this proportion should be closer to 40 per cent. Similarly at present a tenth of Pirelli's total debt is in securities and the rest made up of bank loans; following the capital issues, something like 28 per cent of total debt will be in securities. These calculations exclude a further \$350m of debt, largely in bonds, held by the Italian and Swiss holding companies: the Pirelli group structure (with the parents holding 46 per cent each and another Swiss company holding 8 per cent) does not permit consolidation.

Dr Jacopo Vittorelli, managing director of both Pirelli holding companies, says the 1,500bn exercise will be the group's largest single financial operation and its most "multinational." He says discussion of the plan between Pirelli and its bankers in Switzerland (Swiss Bank Corporation), Lon-

don (CSFB) and Milan (Mediobanca) began more than three months ago.

"We wanted to restructure the financial position of a number of affiliated operating companies," Dr Vittorelli explains. Given that Pirelli's total shareholders' funds represent 1½ times the size of its total debt, and with 1984 net profits doubled to \$70m the group would seem to be acting at the right time.

There is little doubt that the idea of shifting much of Pirelli's short-term debt into seven- to 15-year bonds makes sense. Dr Vittorelli reckons the saving on interest charges could be around \$75m over the next 10 years. Now all that remains is for the market to pass judgment.

Alan Friedman

Steinberg buys into Frank Hall

BY TERRY DODSWORTH IN NEW YORK

MR SAUL STEINBERG, the U.S. financier, has concluded a \$65m deal which will give his Reliance Group Holdings insurance business a substantial interest in Frank B. Hall, the U.S. insurance broking group.

As part of the agreement, Mr Steinberg has taken a seat on the board of Hall, which had net losses last year of \$14.5m, or \$1.15 a share. Mr Steinberg, who first rose to prominence as a shrewd investor in undervalued stocks, acquired a holding in Hall about two years ago with a stake of 9 per cent. His latest

purchase of 1.85m shares takes his holding to 20 per cent, and he has also acquired \$25m worth of subordinated exchangeable variable notes due in 1994 for an aggregate price of \$25m.

Two transactions have been undergoing regulatory approval since late last year. "He has taken these shares as an investment because he believes that the turn in the insurance cycle is at hand," said a company official.

The debt acquisition came as part of a \$74.8m issue by Hall aimed at

improving its capital structure and liquidity and positioning it to benefit from the anticipated upturn in the insurance industry.

Hall has recently committed itself more exclusively to the broking business by pulling out of underwriting altogether. In the first quarter of this year it achieved net income of \$2m, or 16 cents a share, Reliance Group, which has interests in real estate development, petroleum distribution and management services, as well as insurance, earned \$47.5m last year.

LTV reshaping may presage spin-off

BY PAUL TAYLOR IN NEW YORK

THE reorganisation announced last week by LTV, the U.S. steelmaker, involves the indefinite closure of a major steel mill resulting in the loss of 1,300 jobs and a \$400m charge against earnings, the restructuring of the group's steel operations into three separate units, and a new divestiture and joint venture programme aimed at generating \$500m over the next 18 months.

LTV said the moves were designed to strengthen its steel operations, improve its financial position and bolster its fight against a "flood of steel imports." They were seen on Wall Street as a possible prelude

to the spin-off of one or more of the new steel units.

Last year LTV, which also has substantial aerospace and energy operations, reported a \$378.2m loss on sales of \$7bn. After taking over Republic Steel, it posted a \$156.4m loss on sales of \$2.1m in the 1985 first quarter.

Mr Raymond Hay, chairman and chief executive, said the three-point reorganisation programme should improve cash flow by about \$700m over the next two years, strengthen the balance sheet, maintain liquidity and provide funds for growth.

Pernod Ricard in Heublein link

PERNOD RICARD, the French spirits and soft drink group, and Heublein, the U.S. spirits and specialty food concern, have announced a worldwide sales and financial link-up intended to boost market share of their products, writes David Housego in Paris.

Under the agreement Pernod Ricard, world leader in the sale of aniseed-based spirits, will transfer U.S. distribution of Pernod, of Wild Turkey whisky produced by its U.S. Austin

Nichols subsidiary, and of Bisquit brandy to Heublein. Heublein, controlled by R. J. Reynolds, the cigarette manufacturer.

Heublein is taking a 30 per cent stake in a new subsidiary of Austin Nichols, which will control the production, ageing and stocks of its bourbon whisky.

Pernod Ricard will distribute in Europe a range of cocktail drinks under licence from Heublein.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead Manager	Offer yield %
U.S. DOLLARS							
Canon St.	100	2008	15	3	100	Monroe Int.	1.000
American Gen. Corp. St.	300	2008	15	5 1/2	100	CSFB	8.875
Met. West. (7(b))	100	1995	10	11	100	County Bank	11.000
Australia 7	100	2000	15	11 1/2	100	Deutsche Bank	11.250
GNAC 7	200	1995	10	10 1/2	100	Merrill Lynch	10.250
Spain Int. 7	50	1990	5	8 1/4	100	Yamaichi Int.	10.250
Costa 5	100	2000	15	3	100	Bank of Tokyo Int.	10.950
Bank of Tokyo 7	100	1995	10	11 1/2	101 1/4	CSFB	10.947
Soledad 7	100	1992	7	11	100 1/4	Morgan Stanley	10.883
Towson Corp. 7(a)	150	1990	15	11 1/2	100	Salomon Bros.	11.250
American Express 7(b)	151	2000	15	8	100 1/4	CSFB	11.250
Swedish Export Credit 7(a)	750	2000	15	7 1/2	100	Goldman Sachs	11.863
Aust. 7(a)	100	1995	10	10	100	Merrill Lynch	11.890
DFC Finance 7	100	1995	10	11	100	CSFB	11.890
Kleinwort Benson Luxembourg 7(b)	100	1995	10	10	100	CSFB	11.890
NEW ZEALAND DOLLARS							
Rural Banking & Fin. 7	25	1990	5	10 1/2	95 1/4	Dep. Gutzwiller, K.B.	10.327
D-MARKS							
World Bank 7	200	1991	5	7 1/2	95 1/4	Deutsche Landbank	7.570
SWISS FRANC							
American Medical 7	200	1997	10	8	100	Societe	8.875
Farmville of State	100	1990	10	3 1/2	100	Dep. Gutzwiller, K.B.	3.375
Yokohama Rubber 7	30	1990	10	5 1/2	100	Swiss Pacific	5.750
Yokohama Rubber 7	30	1990	10	5 1/2	100	Swiss Pacific	5.750
Confidential Health 5	50	1995	10	8	100	Dep. Gutzwiller, K.B.	8.875
Sweden 7	300	1990	10	5 1/2	100	IBS	5.800
Sweden 7	150	1995	10	8 1/2	100	IBS	8.825
Minerals Co. 7	120	1993	10	8 1/2	100	Credit Suisse	8.825
Indust. 7	100	1997	10	8 1/2	100	CSB	8.825
DANISH KRONER							
World Bank 7	200	1992	7	11 1/2	100	Scandinavisk SBS	11.625
EDS							
BAC-CEE Savings Bk.	20.5	1995	8	8 1/2	100	Kreditbank Int.	8.375
Kansas City-Union	50	1992	7	8 1/2	100	Kansas City-Union	8.375
World Bank 7	50	1995	10	8 1/2	100	San Paolo Bank	8.375
GUINNEAS							
EB	200	2000	10 1/2	8	101	Aust. ABN	3.884
Asian Dev. Bank 7	200	2000	10 1/2	7 1/2	95 1/2	ABN	7.847
NORWEGIAN KRONER							
SAS 7	250	1993	8	10 1/2	100 1/4	Christiansen Bank	10.874
YEN							
Korea Elec. Power 7	250	1995	8	7.3	98.50	Daiwa Secs.	7.972
CANADIAN DOLLARS							
Lablanc 7	50	1992	7	11 1/2	100	Orion Royal Bank	11.625
AUSTRALIAN DOLLARS							
MEZ Bank 7	40	1992	7	13 1/2	100 1/4	Orion Royal Bank	13.449
STERLING							
Korea Exchange Bank 7(b)	50	1995	10	1 1/2	100	S.G. Warburg	11.375
FRANC FRANCS							
Rhone-Poulenc 7	450	1991	5	11 1/2	100	BNP	11.375

* Not yet priced. † Fixed term. ** Private placement. † Floating rate note. † With warrants. † Dual-Currency. (a) 1/4 over 6m Libor. (b) 1/4 over 6m Libor. (c) Extendable to 1995. (d) Fully paid. (e) 1/4 over 6m Libor. (f) Additional top of \$400m. (g) 1/4 over 6m Libor. (h) 1/4 over 6m Libor. Note: Yields are calculated on ABB basis.

Switzerland lifts bond issue ceiling

BY JOHN WICKS IN ZURICH

THE Swiss National Bank has lifted its SwFr 200m (\$77m) ceiling on individual public bond issues by foreign borrowers as a further step in the liberalisation of the Swiss capital market. At the start of last year, the maximum was doubled from SwFr 100m.

Following the earlier move, the total new money raised through foreign bond issues in Switzerland rose during 1984 from SwFr 10.26bn to a record of SwFr 11.15bn. Growth continued in the first quarter of this year—the figure of

SwFr 3.33bn being 19 per cent above that for January-March 1984.

The SwFr 200m limit had long been considered an anachronism in Switzerland, particularly since there was no ceiling on the size of medium-term notes. These so-called private placements overlap with public bond issues, in that their maximum maturity is eight years—the same as the minimum life of a public bond.

In the past year, a number of foreign borrowers (including governments) have wanted to

float Swiss franc bond issues of over SwFr 200m, but the ceiling has sent them either to the Swiss notes market or abroad.

The interest of borrowers in large bond issues is shown by the fact that in the first quarter of 1985 alone there were six SwFr 200m transactions.

Bankers point out that an additional reason for the scrapping of the SwFr 200m limit seems to lie in the increased capital market liberalisation measures in West Germany.

All of these Securities have been sold. This announcement appears as a matter of record only.

U.S. \$100,000,000

National Bank of Detroit

Floating Rate Subordinated Capital Notes Due December 1996

MORGAN STANLEY INTERNATIONAL

BANK OF TOKYO INTERNATIONAL

BANKERS TRUST INTERNATIONAL

BANQUE NATIONALE DE PARIS

BARCLAYS BANK GROUP

CHASE MANHATTAN CAPITAL MARKETS GROUP

COMMERZBANK

CREDIT SUISSE FIRST BOSTON

DAIWA EUROPE

GENOSSENSCHAFTLICHE ZENTRALBANK AG

GOLDMAN SACHS INTERNATIONAL CORP.

IBJ INTERNATIONAL

KIDDER, PEABODY INTERNATIONAL

LEHMAN BROTHERS INTERNATIONAL

MANUFACTURERS HANOVER

MERRILL LYNCH CAPITAL MARKETS

MORGAN GRENFELL & CO.

MORGAN GUARANTY LTD

NIPPON CREDIT INTERNATIONAL (HK) LTD.

NOMURA INTERNATIONAL

ORION ROYAL BANK

SALOMON BROTHERS INTERNATIONAL

SOCIETE GENERALE DE BANQUE S.A.

SUMITOMO TRUST INTERNATIONAL

SWISS BANK CORPORATION INTERNATIONAL

UNION BANK OF SWITZERLAND (SECURITIES)

April 15, 1985

New Issue

All these securities having been sold, this announcement appears as a matter of record only.

April, 1985



SEKISUI HOUSE, LTD.

(Sekisui House Kabushiki Kaisha)
(Incorporated under the laws of Japan)

¥15,000,000,000

2½ per cent. Convertible Bonds 1995

ISSUE PRICE 100 PER CENT.

The Nikko Securities Co., (Europe) Ltd.

Union Bank of Switzerland (Securities) Limited

Robert Fleming & Co. Limited

Banque Nationale de Paris

Banque Paribas Capital Markets

Baring Brothers & Co., Limited

Chase Manhattan Capital Markets Group

County Bank Limited

Daiwa Bank (Capital Management) Limited

Daiwa Europe Limited

Fuji International Finance Limited

Goldman Sachs International Corp.

Kuwait International Investment Co. s.a.k.

Morgan Stanley International

Nomura International Limited

Sanwa International Limited

J. Henry Schroder Wagg & Co. Limited

Sumitomo Finance International

Swiss Bank Corporation International Limited

S. G. Warburg & Co. Ltd.

Yamaichi International (Europe) Limited

كل من الرضا

The image contains three line graphs labeled M1, M2, and M3, each showing monetary targets and actual growth from 1984 to 1985. Each graph has a vertical axis labeled '\$ Billions' and a horizontal axis with years 1984 and 1985. A solid line represents the target, and a shaded area represents the actual growth.

- M1:** The target line starts at approximately \$450 billion in early 1984 and rises to \$600 billion by mid-1985. The actual growth (shaded area) starts at \$450 billion and reaches approximately \$550 billion by mid-1985. A legend indicates 'Actual Fed' and 'Fed - Congress current consent guideline'.
- M2:** The target line starts at approximately \$2300 billion in early 1984 and rises to \$2800 billion by mid-1985. The actual growth (shaded area) starts at \$2300 billion and reaches approximately \$2600 billion by mid-1985. A legend indicates 'Actual Fed' and 'Fed - M2 plus small time deposits, money market funds, and other money market instruments'.
- M3:** The target line starts at approximately \$2800 billion in early 1984 and rises to \$3200 billion by mid-1985. The actual growth (shaded area) starts at \$2800 billion and reaches approximately \$3000 billion by mid-1985. A legend indicates 'Actual Fed' and 'M3 - M2 plus CDs and other time deposits, money market deposits, and other money market instruments'.

Fed's surprise creates a new climate

the fact that "sensitive commodity prices are generally at their lowest levels in about two years."

For Wall Street the Fed's action, and its surprise timing, confirmed the market's belief that sustaining the economic recovery has become priority.

Many on Wall Street had expected the Fed to delay a discount rate cut until late this week, after the first quarter gross national product revision is released and after a meeting of the policy-making Federal Open Market Committee tomorrow.

In any event the "pre-emptive strike" by the Fed reminds the FOMC meeting as a focus of market attention. The meeting

	Last Friday	1 week ago	4 wks ago	—12-month— High Low
Fed Funds (weekly average)	8.12	7.98	8.08	10.77 7.82
Three-month Treasury bills	7.41	7.24	7.29	10.77 7.23
Six-month Treasury bills	7.40	7.29	7.30	10.76 7.23
Nine-month prime CDs	7.86	8.12	8.25	11.50 7.85
30-day Commercial Paper	7.85	8.00	8.00	11.38 7.85
90-day Commercial Paper	8.06	8.06	8.05	11.40 7.93

	1 week ago	4 wks ago
10-year Treasury	8.00	8.00
20-year Treasury	8.00	8.00
30-year Treasury	8.00	8.00
10-year Treasury	8.00	8.00
20-year Treasury	8.00	8.00
30-year Treasury	8.00	8.00

Instead, the markets will be

UK GILTS

Long-term

THE FAIRLY stable conditions prevailing at the long end of the gilts market over the last week may not seem noteworthy. However, the fact that the current yield level (as measured by the FT Actuaries 25-year high coupon gilt) has risen only about 0.2 percentage points since dramatically worse than expected April money numbers is significant. Indeed, the resilience of long gilts to "shocks" should be regarded as a feature of major importance.

While the range for bank base rates so far in 1985 has been 5.5 percentage points, that for long yields has been only 0.7. This greater stability can be traced back to the latter part of 1982 (ie post-Falklands) through the 1984 General Election provides a natural break. In the first Thatcher Government, the range for base rates was 8 percentage points while that for long yields was nearly 6. By contrast, during Mrs Thatcher's second term, the

Long-term yields allow for inflation risks

dicting inflation which, in turn, affects the policy regime and the likely political environment.

In the absence of any objective yardstick, the volatility of present inflation does not represent a proxy, on this basis (and optimistically, assuming the experience of the 1950s and 1960s) a risk premium of about 2 per cent would not seem excessive. A rise in inflation would thus appear to be around 5½ per cent. This is roughly in line with the underlying rate probable over the remainder of the present government's term, and too optimistic on a longer term basis if there is any political change and Thatcher type policies are abandoned or indeed reversed.

Even if long-term inflationary expectations appear to have no downward slope, nominal yields could be affected by changes in real rates. However, these are unlikely to fall significantly from current levels

NEW ISSUE

Unco

Algemene Bank N
Bank of Tokyo Inte
Banque Bruxelles
Banque Paribas C
Chemical Bank In
Crédit Commerci
Crédit Suisse First
Daiwa Europe Lin
Enskilda Securitie
Swedish-Scandinavian Limited
E F Hutton & Com
Manufacturers Ha
Mitsui Trust Bank
Orion Royal Bank
Société Générale
Union Bank of Sw

Secondly, the long-term historic record shows that current

Merrill Lynch Capital Markets

BankAmerica Capital Markets Group

Bankers Trust International Limited

Banque Nationale de Paris

Barclays Bank Group

County Bank Limited

Crédit Lyonnais

Dai-ichi Kangyo International Limited

Deutsche Bank
Aktiengesellschaft

Fuji International Finance Limited

Kansallis-Osake-Pankki

Mitsubishi Finance International Limited

Morgan Guaranty Ltd.

Société Générale

www.educationfordeschools.org

Girocontrolle

recent share price.
WARRANTS: Equity warrant prem= $\frac{\text{exercise premium}}{\text{current share price}}$.
 Bond warrant ex. yld= $\frac{\text{exercise yield}}{\text{current warrant price}}$.
 * Perpetual.

Closing prices on May 17.

© The Financial Times Ltd., 1985. Reproduction in whole or in part in any form not permitted without written consent. Data supplied by Association of International Bond Dealers.

recent share price.
WARRANTS: Equity warrant prem= $\frac{\text{exercise premium}}{\text{current share price}}$.
 Bond warrant ex. yld= $\frac{\text{exercise yield}}{\text{current warrant price}}$.
 * Perpetual.

Closing prices on May 17.

© The Financial Times Ltd., 1985. Reproduction in whole or in part in any form not permitted without written consent. Data supplied by Association of International Bond Dealers.

May 1985

May 1985

UK COMPANY NEWS

Charles Batchelor looks at the final stages of the House of Fraser takeover

NFU Mutual's small but curious role

IF the Al-Fayed brothers wrap up their \$181m takeover bid on Wednesday for House of Fraser, the Harrods department store group, they might spare a thought for the curious, last-minute role played in the drama by the National Farmers Union Mutual Insurance Society.

The Society has not figured prominently in the epic seven-year struggle between Mr Roland "Tiny" Rowland's Lomax group and the House of Fraser board, or the subsequent tussle between Mr Rowland and the Al-Fayeds.

In fact, the Society has not figured at all. Until, that is, the Al-Fayeds and Kleinwort Benson, their merchant bank advisers, attempted to mop up the Fraser preference shares. The bidders had gained control of more than 90 per cent of the ordinary shares and could compulsorily acquire the rest of the ordinary equity. But they were well short of this figure for the preference shares.

It was at this stage that the society, the offshoot of the NFU members throughout the UK and the holder of a large chunk of preference shares, came into its own. It insisted on, and obtained, a higher bid for the preference equity.

The society is not alone in its skillful exploitation of what merchant bankers term the "nuisance value" of preference shares. But it is one of the leading players in this specialised corner of the stock market.

Despite the fall from favour of preference issues during the 1970s because of rapidly rising inflation there are still frequent opportunities for the holders of these shares to intervene in bid battles.

The sums involved in preference share bids are not usually large. A 251,000 increase in the value of the bid for the three classes of House of Fraser preference stock is negligible in the context of the bid—for the ordinary shares—worth \$181m.



National Farmers Union Mutual Insurance Society

Fraser's 42,000 3.5 per cent cumulative preference shares, 15 per cent of its 385,000 5.25 per cent preference shares, and 6 per cent of its 350,000 3.15 per cent prefs.

The society persuaded the Al-Fayed investment company and Kleinwort Benson to add 5p to its offer for each of the 3.15 per cent prefs, taking them to 66p per share; 7p to the 3.5 per cent

prefs, taking them to 80p; and 4p to the 5.25 per cent prefs, taking them to 109p.

It thereby added a small but useful \$7,500 to the value of its shareholding and nearly 243,000 to the value of the shares held by other investors.

Mr Norman Newton, investment manager for the society, adopts a no-nonsense approach to his preference holdings.

"Preference shares are never at the wedding, always at the funeral," he said. "Historically, private investors have tended to be the holders of these shares and they have lost a lot of money. The only time they have any way of improving their position is in a situation like this. So we hold out for our own way of improving their point of view."

"These merchant banks know what they are doing. They know what the basis for valuation is but they try it on. Sometimes they get away with it, sometimes they don't. We are far from alone in doing this."

Another skilled player in the preference share market is Mr John James, a retired businessman, now aged 78, who made two fortunes from chains of radio and later furniture shops during his post-war business career.

A miner's son, Mr James now devotes a considerable part of his wealth to charities, donating \$27,000 earlier this year to help keep open the cardiac surgery unit of Guy's Hospital, London.

Mr James estimates he owns \$20m worth of preference shares in several hundred companies—though not in House of Fraser—through foundations named after himself and his daughter, Dawn, who was killed in a car crash 20 years ago at the age of 21.

"If you find the Dawn James Trust on the list of preference shareholders of a company, you green," admitted one merchant banker. "You know you will have to pay the full price for the prefs."



Mr John James, a retired businessman, who has made two fortunes since the war

Mr James commented: "Preference shareholders have had a rough time in the past. Boards tend to say: 'They don't have a vote, we can ignore them.' But I don't see why lackadaisical boards should get away with it. We do more good with the money we make than some of the boards of companies do for their preference shareholders."

Mr James estimates he has achieved a return of 29 per cent on his preference shares over the past six years. Dividends have given him 15 per cent and the rest has come from the profit on takeover bids.

He makes a point of buying 25 per cent or more of the preference stock, enough to block any special resolution aimed at limiting his rights.

"We make an extra few coppers from these situations," he said modestly.

It is the small sums that can

be made from the preference equity which makes some merchant bankers sceptical of the effort involved. "This may be a bruised view," said one. "But their activities are probably a waste of time if you look at the opportunity cost."

Mr Tony Mayhew, a partner of stockbrokers Gilbert Elliot, which specialises in preference shares, also cautions that bidders are only prepared to make limited concessions to buy out preference shareholders.

Nevertheless, he said, some institutions take a stand over their preference shares on a matter of principle. "They have bought these shares as a long-term investment. If someone comes along in the middle of the game they take the view that the bidder should pay a proper price."

Merchant bankers acknowledge that the thin markets in

many preference shares made them difficult to deal in. The only way for holders to sell at a reasonable price is to get out during a takeover bid.

"Normally, we test these things with the investor protection committees of the life insurance companies and pension funds," said one. "You get some idea of the going rate."

But it is the difficulty of establishing what is the going rate which motivates many of the defenders of the rights and pockets of preference shareholders.

"The market price means very little because of the lack of marketability of these shares," said the NFU's Mr Newton. "The bidder may say he is offering a premium of 40 or 45 per cent over a figure which itself is near to meaningless. Once the merchant bank acts sensibly you won't see us at all."

SHARE STAKES

CHANGES in company share stakes announced over the past week include:

Christy Hunt—Mr J. H. Dyer, chairman, has acquired 70,000 ordinary and his interest has increased to 370,000 shares (10.87 per cent).

Geens Gross—Mr M. R. Williams, a director, has sold 165,000 ordinary shares.

Barclay—With effect from May 3 1985 Mr F. B. Northcott

is interested in 2m ordinary. Welpac—The following directors have sold ordinary shares in the company: Mr G. S. Laverdier 15,300; Mr N. B. Raphael 38,500; Mr F. A. Laverdier 38,100; Mr A. H. Burnett 15,300.

Yelverton Investments—Zanmore has purchased a further 70,000 shares in the company taking its holding to 562,500 (7.04 per cent).

Nottingham Manufacturing

Company—Mr J. E. Parsons, deputy chairman and group managing director, has disposed of 30,000 ordinary shares each acquired under the executive share option scheme.

AB Electronic Products Group—On May 7, two directors, Mr H. J. Kroch and Mr J. K. Brown exercised options of 100,000 each. These shares were then sold at 46p each.

Rubercoid—Dr J. A. Roberts,

a director, beneficially disposed of 30,000 ordinary shares, 15,000 shares at 205p and 15,000 shares at 203p, altering his total holding to 10,000 ordinary (0.1 per cent).

Leval Group—Mr T. M. Robertson, chairman, has sold 250,000 shares. This reduces his holding to 2,325,300 (27.2 per cent).

Francis Sumner Holdings—Mr M. Maimann purchased on May 13

10,000 ordinary shares at 134p and on May 14, 70,000 ordinary shares at 141p, increasing his holding to 2,140,000 ordinary (7.99 per cent).

Falcon Resources—Mr M. W. Hindmarch, a director, disposed of 500,000 ordinary shares, 44,250 for himself and 455,750 on behalf of his wife, at 37p altering his total holding to 3,557,142 shares (12 per cent).

G. Stanley—Mr G. B. Stanley, a director, has reduced his holding in the company by 500,000 shares to 2,262,999, which represents 8.9 per cent of the issued share capital.

Increase at London Atlantic

Net asset value per 25p share in London Atlantic Investment Trust rose from 185p to 202.5p in the year to March 31 1985. The total dividend is increased from 5.55p to 6.1p net with a final up from 3.8p to 4.25p. Automatic dividend per share rose from 5.77p to 6.28p.

Pre-tax profits for the year were up from £1.02m to £1.12m, and these were struck after administration costs of £100,000. State earnings and interest charges considerably higher at £216,971 (£21,428). After tax at £204,023 (£204,923), net revenue emerged higher at £171,065 (£66,181).

F.T. Share Information

The following securities have been added to the Share Information Service—

Associated Distributors (Section Industrials)

F.I.L. Ltd. (Food, Groceries, Etc.)

New London Oil (Oil & Gas)

Pepe Group (Drugs & Stores)

Scott Greenham Group (Industrials)

LADBROKE INDEX

Based on FT Index
Tel: 01-427 4411

Newman-Tonks deal

In a £235m cash deal, Birmingham-based engineering group Newman-Tonks has acquired Plasmatic, a Leicester-based precision injection moulding company. This purchase is the first of what is expected to be a series of moves over the next few months to expand Newman-Tonks core businesses and rationalise further the structure of the group.

NOTICE OF REDEMPTION TO THE HOLDERS OF The Long-Term Credit Bank of Japan Finance N.V.

Guaranteed Floating Rate Notes Due 1989

NOTICE IS HEREBY GIVEN that, pursuant to the Fiscal Agency Agreement dated as of June 7, 1979 between The Long-Term Credit Bank of Japan, Limited and Manufacturers Hanover Trust Company as Fiscal Agent, \$50,000,000 principal amount of the above described Notes are called for redemption at their principal amount on June 11, 1985.

Interest on the Notes will cease to accrue on June 11, 1985. The June 11, 1985 coupons should be detached and presented for payment in the usual manner. The Notes will carry an interest rate of 10% per annum with a coupon amount of \$5.00.

The Notes may be presented for payment at the following addresses:

If By Hand
Manufacturers Hanover Trust Company
130 John Street
Corporate Trust Window
New York, New York

If By Mail
Manufacturers Hanover Trust Company
P.O. Box 2882, GPO Station
New York, New York 10116

The Notes may also be surrendered to:

Manufacturers Hanover Trust Company, London
Manufacturers Hanover Trust Company, Tokyo
Manufacturers Hanover Trust Company, Frankfurt/Main
The Long-Term Credit Bank of Japan, Ltd., London
The Long-Term Credit Bank of Japan, Ltd., Tokyo
Credit Lyonnais, Paris

Credit Lyonnais, Luxembourg
Banque Paribas, Luxembourg
Lombard, Odier, Frères & Co., Brussels
Commerzbank Aktiengesellschaft, Frankfurt/Main
Kreditbank N.V., Brussels
Swiss Bank Corporation, Limited, Basle

Dated: May 10, 1985

KLEINWORT BENSON FINANCE B.V.

US \$50,000,000

Guaranteed Floating Rate Notes 1991

convertible until 1985 into 10% per cent. Guaranteed Bonds 1995 and unconditionally and irrevocably guaranteed as to payment of principal, premium (if any) and interest by

KLEINWORT, BENSON, LONSDALE plc

For the three months 20th May 1985 to 20th August 1985, the Notes will carry a Rate of Interest of 8% per cent, per annum with a Coupon Amount of US\$109.41.

CHEMICAL BANK INTERNATIONAL LIMITED

Agent Bank

EQUITIES

Issue Price	1985		Stock		Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Div
-------------	------	--	-------	--	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	----------	-------	-----

Closing prices, May 17

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

[illegible]

Continued on Page 2

هَكَذَا مِنَ الْأَصْلِ

he has gone for the big one— tions later, he is nothing less (Indicannus dragon), the name, "Im-

Monday May 20 1985

Anhui Province

The inland province of Anhui, straddling two of China's major waterways—the great Yangtze and the Huai—has an ancient reputation for being the poorest region in Eastern China. Now, however, provincial leaders are pressing ahead with ambitious plans to transform the region and to exploit its rich agricultural and minerals resources and thus bring greater prosperity to the province's 51m people.

Looking for more foreign investors

DIVIDED by the Yangtze in the south and the Huai river in the north, Anhui Province is a land of rivers, canals and lakes, green fields and mountains. Surprisingly, considering its geography, it has been administered as one unit since the 17th century.

Lying upstream of Shanghai and Nanjing, the relative proximity (in Chinese terms) of these cities has had little effect. Though it is rich in minerals, it remains intensely rural.

Few Anhui people have gone abroad, so the province has little contact with the world's overseas Chinese community. The urban population is only about 10 per cent of the total 51m.

Traditionally, it is one of China's poorest provinces.

The countryside is thickly strewn with tiny hamlets. Manpower, water buffalo and the occasional donkey are the main motive force. Ducks and geese swim in ditches on every waterway and in spring the fields are green with rice.

The provincial government is eager to change the rural image. Production, both industrial and farmyard, has rocketed since the Watershed Party meeting in 1978 at which China's top leader, Deng Xiaoping, launched the country's new flexible policies.

Foreign exports, with a growing percentage of industrial goods, bounced from around 40m U.S. dollars in 1980 to 240m last year.

By Colina MacDougall

Hefei, the provincial capital, is a busy light-industrial town of 800,000 people. Like most modern Chinese cities, it lacks distinguished buildings, but the arching trees, which the Chinese call the French wutong, provide a pleasant canopy over the streets. With its mild climate, the atmosphere is more relaxed than in north China, and the strains of 1950s pop music—especially Latin-American—emanate from loud-speakers and radios.

In the busy free markets of Hefei and Wuhu, among the T-shirts and jeans from fashionable Canton, private enterprise tailors at trestle tables will make a western suit for two yuan (one yuan equals 28p).

Behind them sit their assistants, running up the seams on ancient sewing machines. Private business is booming—last year the profits from private rural activities were Yuan 580m, about four times that in 1978.

Anhui has begun to look for foreign investment. This year provincial leaders hope to sign at least eight joint ventures, on top of last year's three. Teams of Japanese, West Germans and even Danes have visited the province to explore the possibilities.

Jiangsu Province to the east has already attracted considerable foreign interest. It is relatively developed and boasts the highest per capita income in China. But neither it, nor



Anhui is a major source of China's coal. Miners, above, leave a shift at the Jie Xia Ji coal mine at Huainan

Guangdong and Fujian, where most joint ventures have so far been set up, possess Anhui's valuable raw materials and energy resources.

In the north lie the Huaipei and Huainan coalfields, in the south-east a rich belt of iron ore that stretches along the Yangtze and up into Anhui. In these minerals the province ranks fifth in all China.

Tongling, on the southern bank of the Yangtze, is the country's sixth most important copper mine, while sulphur, zinc and dozens of other resources abound.

In the south, the wet climate of central China favours rice and jute. In the drier north, farmers grow wheat, cotton and sorghum. The Yangtze and its canals provide waterways for transport while the railway connects it with Shanghai and Peking. There are a handful of adequate roads and a large but not very busy airport at Hefei.

Anhui's relative backwardness is partly due to its history. Catastrophic flooding from the Huai and the Yangtze until recently kept the farmers in abject poverty. It was a battleground both in the civil war and

in the war against Japan. In the cultural revolution, the provincial army leaders strongly supported the Red Guards and their violent policies.

One measure of the local ferocity of the movement was the destruction then of around four hundred Buddhist temples, on the sacred mountain of Jinhua, near Wuhu. People, too, were cruelly victimised. Only last March, Hefei Radio reported that the Anhui military had sent delegations to the major towns to apologise for their role in "savagely attacking" senior officials of the time.

Nor has the province been bypassed by more recent political movements. Unspecified "new unhealthy practices" defined elsewhere as speculation and black marketeering, have been strongly criticised, the radio said, by a leading local party official.

Some residue of Leftism still remains — "this attitude was formed over a long time," says Vice-Governor, Zhang Dawei.

"You can't drop it quickly. For instance, changing from production to service industries is a difficult change to make."

"The conventional way of doing things is Leftist." Historically, Anhui has suffered from lack of education. Jiangsu and Zhejiang, which adjoins it, developed earlier, with a richer culture and greater skills. This has only been partially remedied by a proliferation of colleges (including one of China's top universities, the Anhui University of Science and Technology), and there is a shortage of qualified people. Yet the province has made

good progress in the last few years. Agricultural and industrial output last year were worth respectively Yuan 16bn and Yuan 18bn, making average annual increases since 1978 of 8 per cent and 10 per cent. This year, in the first quarter, industrial growth was 30 per cent.

Bold plans for development

Average peasant income is still only around Yuan 300 a year. But the provincial Government has ambitious plans to change that. Vice Governor Song Ming told The Financial Times that she hopes to see a per capita income of \$1,000 and a total output value of Yuan 134bn by the year 2,000.

This ambitious plan envisages:

- 1—Specialised production zones for grain, timber and cash crops.
- 2—Greater coal and power production, including mine-mouth power stations, and better transport.
- 3—More building materials, chemicals and metallurgical products.
- 4—Increased processing of foodstuffs and fodder.
- 5—More fertiliser and pesticide production, and
- 6—Better education, science and technology.

Specific plans include development of shipping on the Yangtze and of tourism at the mountain beauty spot, Huangshan. The automotive industry is also scheduled for a boost, with future stress on the manufacture of forklift trucks and cranes. A senior official said that discussions had already been held with

British and West German companies.

At present, heavy and light industry produce about equal values, but it is light industry, plus agriculture, which fuels the province's sales abroad. Besides the main exports, textiles and cereals, a huge range of duck feathers, sausage casings, canned food, peppermint oil, rice paper, brushes and ink are distributed round the world.

Even aquatic products, an Anhui speciality, are proving a growing success. "The export of shads, salmonids, crabs, eels, paddyfield snails, shrimp meat, lotus seed and gorgon fruit is steadily on the rise," says Geng Shiwen, Vice Director of Anhui's Foreign Trade Bureau.

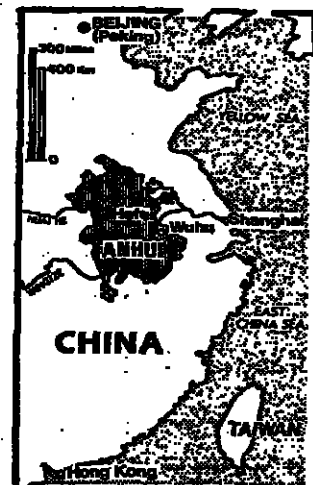
Foreign interest in Anhui has been fired. Before 1980, there were no equipment purchases, loans or investment from abroad. But in the years 1980 to 1984, the province drew in technology worth \$154m and loans of \$100m.

This included a major item, a cement plant from Japan for which Anhui borrowed \$50m from Kuwait. Now it plans to spend another \$100m on 200 new projects.

Last year the province began to look for joint equity ventures. At the provincial level, it is allowed by Peking to approve deals up to \$5m, while some cities have powers to approve smaller contracts.

"We offer the same tax benefits as Shanghai," says Vice Director Geng, "but our land and materials will be much cheaper."

It could be worth exploring what Anhui has to offer.



IN THIS SURVEY

Foreign investment: much scope for joint ventures	2
Economic reforms: fresh hurdles for business	2
Trade sector: exports rocket to a new record	3
Joint venture: Chinese/French project under way	3
Wuhu City: gateway for foreign trade	3
Coal: the key to industrial expansion plans	4
Iron and steel: sector now being updated	4
Agriculture: a model for 800m peasant farmers	4
Farming output: plans to boost production	5
Profile: how Mr Chen became a tycoon	5
Tourism: plenty of scope for expansion	6
Profile: a new breed of Chinese official	6
Business guide: sponsorship is the key	6

中国化工进出口公司安徽省分公司

China National Chemicals Import & Export Corporation, Anhui Branch

MAIN EXPORT ITEMS:

CHEMICALS:

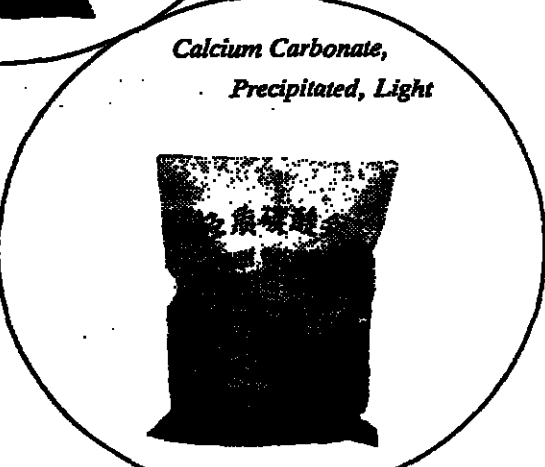
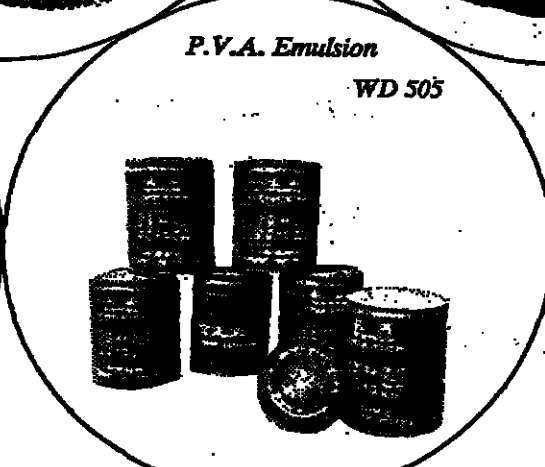
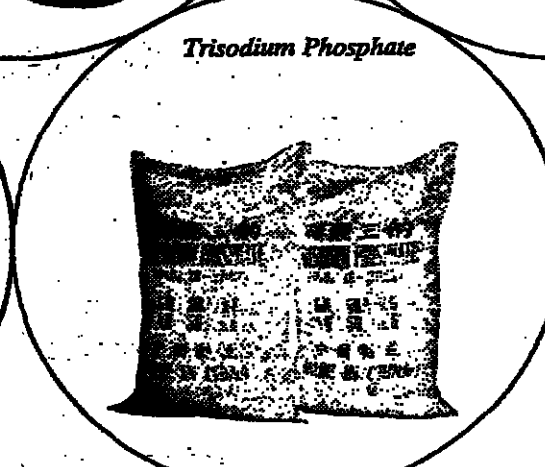
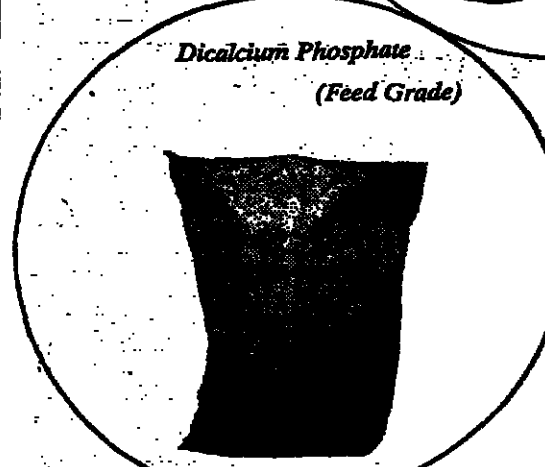
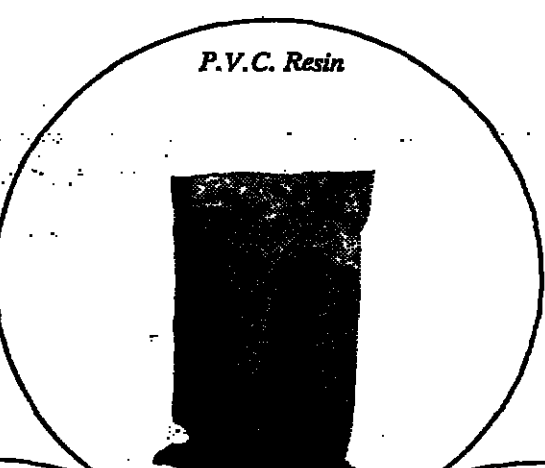
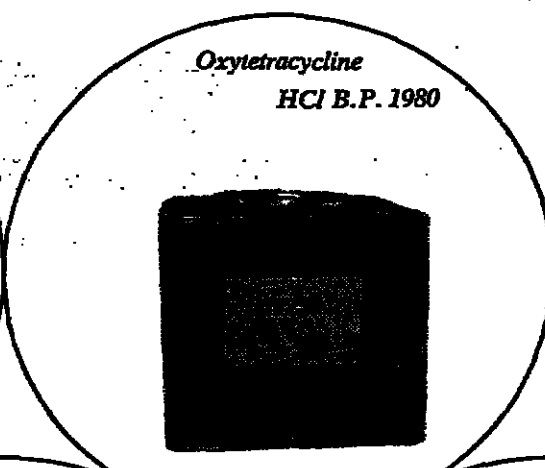
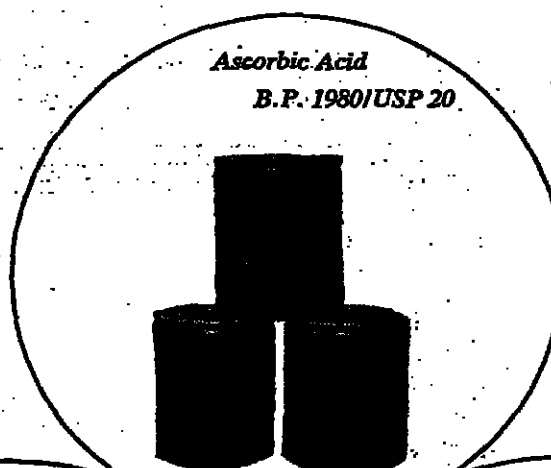
Calcium Carbonate, Precipitated, Light
Dicalcium Phosphate (Feed Grade)
Phosphoric Acid
Polyvinyl Chloride
Trisodium Phosphate
Oxalic Acid
Sebacic Acid
Potash Alum
Iron Oxide Yellow
Zinc Oxide

RUBBER HOSES

PHARMACEUTICALS:

Oxytetracycline HCl
Saccharin Sodium
L-Cystine
Ascorbic Acid (Vitamin C)
Tetracycline HCl
DL-Tetramisole
Diosgenin
Chinese Medical Herbs and Chinese Patent Drugs

Orders and enquiries for the above are most welcome



China National Chemicals Import & Export Corp., Anhui Branch

Import & Export Building, Jinzhai Road, Hefei, P.R. China

Cable: SINOCEMIS Hefei

Telex: 90011 AHFTB CN



Anhui Iron Castings



Anhui has well equipped foundries producing top quality iron castings. Punctual delivery is guaranteed.

Our iron castings are marketed to the U.S., Europe, the Middle East and the South East Asia.

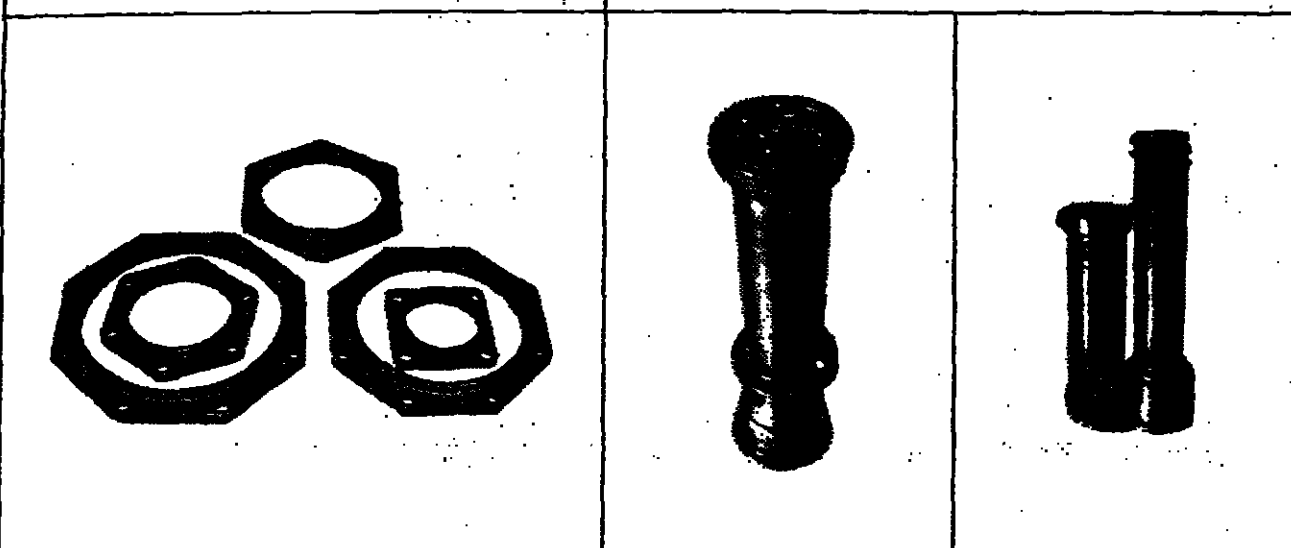
In addition to iron castings, we also export modular cast iron and malleable cast iron products.

Main items are covers, connecting plates, valve cases, sewer pipes, brackets and pipe fittings.

We can also manufacture to samples or drawings supplied by clients.

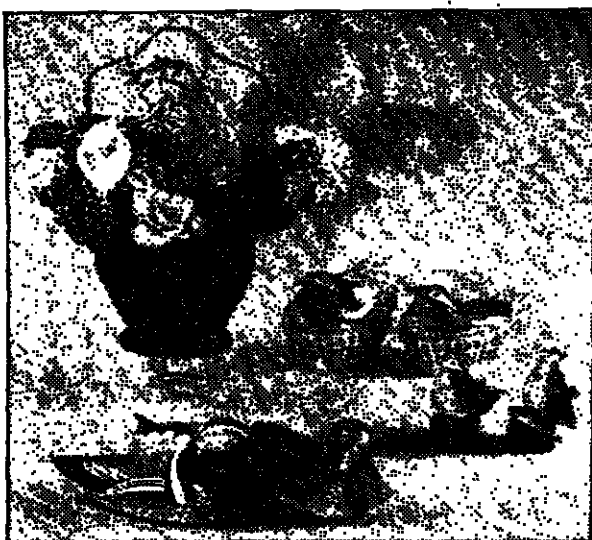
"AH" is our trade mark.

Please telex us today for further information.



China National Metals & Minerals I/E Corp., Anhui Branch
Imp/Exp Building, Jinzhai Road, Hefei, Anhui, China
Telex: 90017 AHFTB CN Cable: "MINMETALS" Hefei Tel: 60793, 60837

Anhui Arts & Crafts



Anhui Branch of China National Arts & Crafts I/E Corp has a history of over 30 years.

With our rich experience and good services, we have established trade relations with more than 60 countries and regions of the world and have won a high reputation among our customers.

Our exports mainly include:
The four treasures of the study (Xuan writing brushes, Hui ink sticks, She ink slabs and Xuan paper), writing brush hangers, ink stick holders, lacquer furniture, jade carvings, branded pictures, paper cuttings, hats, porcelain ware for daily use, artistic ceramics, straw products including baskets, mats and wall paper, bamboo mats, bamboo products, willow products, pearls and drawwork.

China National Arts & Crafts I/E Corp., Anhui Branch
Imp/Exp Building, Jinzhai Rd., Hefei, Anhui, China
Tel: 60928 Telex: 90025 AHART CN Cable: "ARTSCRAFTS" Hefei

ANHUI PROVINCE 2

Good potential for joint industrial ventures

"WE ARE an inland province, so we don't have all of the advantages that coastal provinces have"—that is the frank comment of Geng Shiwen, vice president of Anhui's Commission of Foreign Economic Relations and Trade.

"But we have our own advantages," he adds. "Natural resources, a good potential market, better than average supplies of energy, and low labour and land costs."

It is a view shared by Mr Nils Wilmsen, who heads Denmark's equivalent of the confederation of industry. While heading a major business delegation in Anhui early this month, he noted: "Lots of countries are competing to be involved in ventures in the coastal provinces and if small countries like Denmark are always following the big countries, then we will always be behind. From our point of view there is a lot to be said for considering ventures here."

Anhui's most important natural resources are its coal, and its fertile soil. Neither were exploited effectively during the turbulent decade between 1960 and 1980—indeed, the province was, until 1979, unable to feed itself, and relied on rice and wheat supplies from Peking. Still now, much of its industrial equipment dates back 30 years.

But under the programme of economic reforms being steam-rollered across the country by Deng Xiaoping, plans to exploit these natural resources have given Anhui a critical part to play. Officials also highlight that the province is China's fifth largest supplier of iron ore, sixth in coal, and fifth in cotton. It is also the province's largest producer of copper, and fifth most important cotton growing area.

The coalfields, based on the cities of Huailin and Huabei in the north of the province, which are understood to be China's third largest, with reserves of about 22bn tons, are to be the feedstock for ambitious electricity generation projects.

Coal is to be used for fertilisers and pesticides urgently needed to boost the country's agricultural productivity, as well as a wide range of industrial chemicals and medical products. By-products are to be used for making cement and building materials.

Confidence

While Anhui cannot offer all of the perks of the coastal provinces, Wen Baoheng, head of Hefei City's Economic Commission, is keen to emphasise that the province does not fall far short. Joint ventures set up in the province's capital will be exempted tax for two years. They will pay just half the normal 55 per cent rate for a further three years, and no more than 30 per cent thereafter, he says.

Imported goods needed for manufacture will be free of import tax, while the authority says it would exploit to the full its ability to provide land and labour at prices below those prevailing in places such as Shanghai or Guangdong.

Geng Shiwen adds: "Once the foreign exchange costs of a project have been covered, then

joint venture partners can sell into the local market. Profits from domestic sales will be shared, and a foreign partner's share can be expatriated in foreign exchange."

The three criteria for offering attractive terms were straightforward, says Geng: output from a joint venture should be good export potential; should be badly needed in China; and the venture should introduce new and improved technologies.

Being an inland province, Anhui offers a prospective joint venture partner good water communications and adequate energy supplies.

The two rivers cutting the province, the Yangtze in the south and the Huai in the north—provide fast flowing arteries for the import of materials and the export of finished products. Plans to link the two rivers by canal, and to improve the carrying capacity of the Huai river basin, are being negotiated in Peking, and would further aid river communications.

Road and rail communications inside the province remain rudimentary, and ambitious plans to improve them—with east-west and north-south super-highways, and with the high-speed railway linking Peking with Guangzhou (Canton) which would cut through the west of the province—remain distant possibilities.

Another headache for the province is the poverty of air communications. The reputation of China's national airline, CAAC, is very poor, and nowhere more so than when serving inland provinces. Hefei has six flights a week to and from Shanghai, and three linking it with Peking. Cancellations are frequent, and delays the norm.

On the positive side, potential investors can be more confident of adequate power supplies than in many of China's developing provinces. Local coal is used to generate thermal power, and by 1988, the first phase of the RMB 4bn Pinwei power plant—which will have an eventual capacity of 2,400 MW—should

MAIN EXPORTS

(Figures in \$m for 1984)

Textiles	52.61
Cereals/oils/foodstuffs	50.71
Animal by-products	41.57
Coal	24.19
Native products	23.28
Chemicals	19.32
Silk	12.92
Light industrial goods	5.72
Arts and crafts	4.43
Medical products	2.58
Others	2.63
Total	244.77

relieve pressures both locally and in the provinces around.

Potential foreign investors may in the short-term find the framework a venture somewhat uneasy—mainly because provincial governments have only recently been granted autonomous powers to negotiate joint ventures and promote foreign trade.

From a point in 1980, when Anhui had attracted negligible foreign investment, it has in the past four years launched 29 projects involving about \$150m in foreign exchange. Most early investments were from Hong Kong, but more recently, investments have come from Australia, the U.S., France, Italy, West Germany, Britain, and the Eastern Bloc.

The most significant recent deal is the Anhui synthetic leather plant in Hefei, a joint venture between a Milan-based company and a local plastics factory.

With greater-than-usual self-awareness, Geng Shiwen comments: "Some large companies may prefer to invest in the small companies, inland provinces may offer more. We lack some advantages, but we make a lot of effort."

For many potential foreign investors, lured by the red tape involved with ventures in inland provinces, the promise of much more than technical advantages available elsewhere.

David Dodwell

Top officials cut back on red tape

"I'M ONLY a nurse, not a doctor. Perhaps I'm a nurse for economic reform," quips Zheng Dawei, one of two Deputy Governors in Anhui to be plucked from industry during the past year to lead local economic reforms. The doctors, of course, are Hu Yaobang and Zhao Ziyang, he adds.

This young (by Chinese standards) leader was born in Hefei province, but has spent a large slice of his career in Anhui, first heading the now-closing chemical fertilizer plant in Huailin, and later moving to the more modern and vastly more productive fertilizer factory in Anqing.

He has a reticent air, rarely becoming animated as he talks—with a gravelly voice that ought to have been the product of a lifetime smoking raw local cigarettes. He sees his role as that of problem solver, applying "old expertise" working in industry to the economic reform.

It seems odd to think of a Chinese industrial leader being swept up as a trouble shooter to shake up local government—Chinese industry is hardly a model of efficiency or dynamism—but that is without doubt how he is seen in Chinese eyes.

Controls

His partner in reform is the even more recently appointed Mrs Song Ming, a tiny and energetic technocrat who has spent 25 years of her working life in charge of planning in Anhui's Chemical Industry Bureau. She shifted to head up Anhui's Planning Commission in 1983, and was elevated to Deputy Governor

last year, replacing Mr Song Zhong, who has reduced red tape in the Anhui Government Office, reducing the number of staff working there, and pressing into retirement those over 60.

Most important, he has turned upside down the relationship of the local Communist Party leadership to industry. "We used to control all aspects of industrial activity, but now we just give support. We have handed most of the decision-making power over to individual factory managers."

"We will help to supervise negotiations on foreign ventures or contracts, and try to make sure local partners don't make mistakes, but are trying to give more autonomy to the enterprises themselves. This is a revolution in the Government system—moving from controlling things to providing a service."

He is frank about the problems of "leftist" bureaucrats still being less than enthusiastic about the work of Deng Xiaoping is pulling the foundations of Mao Zedong's egalitarian utopia. "Leftism is a problem that still exists all over China. It turned over a long period, and trying to eliminate it over a short period is not easy," he says.

Zheng and Mrs Song may only be troubleshooters in the ideological context of China's state-controlled industrial bureaucracy, but they are trouble-shooters all the same and, if they succeed, they will take a great deal of the pain out of conducting business with Anhui's industrialists.

David Dodwell

Economic reforms bring fresh challenges for business

"NO, NO DISCOS," said the general manager of the Maanshan Iron and Steel Works with a laugh. "We have the work, but we have the work, the fox trot and the tango."

By contrast with the years before 1978 that seems revolutionary enough. It is one of the wider changes now hitting factories, though it remains a mystery why Chinese officials think that ballroom dancing with its body contact is any more respectable than solitary strutting to a pop group.

In the front line of Peking's economic reform, Chinese managers are facing new hurdles. After some years of planning and discussion, last October the party announced a package of new economic measures. They included a nationwide tax system to replace the old profit handover, an end to the outright grant system and a switch to loans, the introduction of trading on the free markets or abroad, and the right to hire and fire.

Peking has even begun to nibble at the vexed question of price reform for energy and raw materials, which is difficult to institute without upsetting the present delicate balance.

Anhui's managers are finding their task onerous. "There are many responsibilities," says the Maanshan general manager, Chen Mingren. "Loans, tax, profit, wages, we must arrange them all ourselves."

Yao Huangshan of Hefei's Daily Necessities Plant is particularly worried over how to bank wages with productivity: "I don't want to lower pay and cause hardship," he says.

How far the reforms are genuinely being implemented is a moot point. Managers assure foreign visitors that they are, though the Chinese press reports numerous cases of tax evasion and egalitarianism.

Some reforms are slow to get started, and some managements are apparently ignorant about their companies' accounts. One vice-manager of the Anhui Knitwear Factory, the biggest plant in Hefei's textile industry, said with a big smile that last year's profit was a secret and he didn't know what the export earnings had been.

Taxation
Nevertheless, viewing factories provides insights. For instance, taxation seems to vary according to industry. Maanshan pays 51 per cent, while the Hefei Printing and Dyeing Plant pays 70 per cent. While all the money goes initially to the state, Anhui gets back about 75 per cent as subsidy.

Bank loans, instituted to replace grants, now attract an interest rate of 7.2 per cent, says Chen Mingren, though there are soft loans at 3.6 per cent. But all loans will be more difficult to find because of last year's spurt of inflation. Measures to discourage borrowing include forcing the enterprise to put up a sum equal to the proposed loan.

At plants of national importance like Maanshan, Peking still retains strong control. Raw materials and energy supplies are guaranteed at a fixed price and the plant must produce fixed quotas. Though any surplus can be sold to free market factories, Maanshan must pay extra for coal used for this extra steel.

"What effect this type of increase will have remains to be seen. At the Wuhu Feather Factory, which makes down quilts and jackets, the manager, Xu Xieming acknowledges that the cost of feathers had nearly doubled in the past year.

How does he cope with that? "I doubled the sale price of our products," he replies. Manager Xu may have no difficulty selling his output, but Yao Huangshan at the Daily Necessities Plant was more apprehensive: "Pushing up sales will be our biggest difficulty," he says.

The plant has already had to start TV advertising and market research. "We get sales figures from shops," he adds, "with new products we ask customers to fill up a questionnaire. If products are unpopular, we stop making them."

At the Hefei Knitwear Plant the Government has applied a floating price which gives the factory leeway to cut or raise prices in tune with demand. At some factories a contract system is on trial to crack the "iron rice bowl" system. For years, workers have been entitled to keep their jobs, no matter how inefficient or lazy. New workers are being taken on only for a year.

"We only have a thousand contract workers out of a total of our 60,000," says Chen Mingren. "The system can only be applied to

new workers, so it will take time to work through all the workforce."

One problem with this reform is that, in China, children inherit their parents' jobs when they retire. In the Daily Necessities Plant, around 200 out of a workforce of 1,600 are on contract, beside the children of fixed workers. All the fixed workers are still in jobs, while 20 of the contract workers have been fired.

An advantage of the new system is the more rigorous selection applied to workers. Several Anhui factories said they took on labour as the result of an "examination." Some basic literacy plus the ability to acquire skills was a requirement.

Productivity
Problems remain with the bonus system. Started in 1979 to improve productivity, it quickly became accepted that all should get the same bonus. Disincentive this idea has proved difficult but increasingly more necessary as the extra cash has fuelled inflation.

Even at a long-established plant like Maanshan, there is no easy solution. "There is some egalitarianism," says one official. "It's often because it's hard to measure productivity, especially among office workers. Everyone expects a bonus every month."

But unless this attitude can be overcome, none of the new reforms are likely to take permanent root.

Colina MacDougall

Exports rocket to a new record

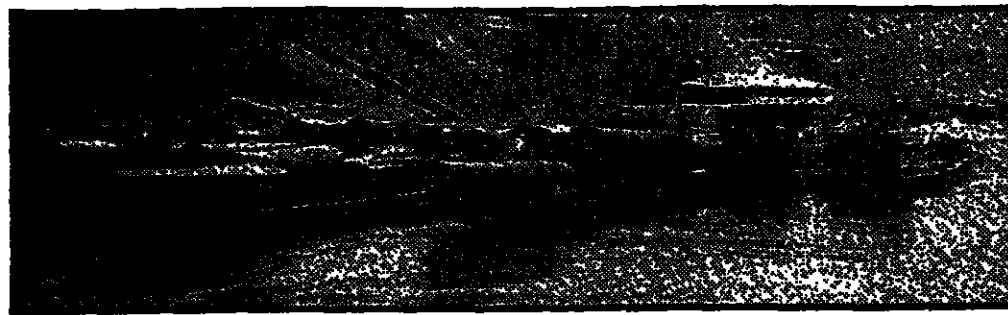
IF IN Hong Kong you eat an egg for breakfast or a freshwater crab for dinner, the chances are that it came from Anhui. If you buy your duck-down anorak in Japan or your Melling brand canned food in London, the same applies. For a province that has so far escaped the limelight, its products are surprisingly pervasive.

In line with national policy, Anhui province was given the right to export its own goods—excepting those under central control like steel and coal—in 1977, the dawn of China's new "open door" commitment. From 1980 when the policy really took hold, exports rocketed from \$40m to last year's record of over \$240m.

The Anhui Foreign Trade Bureau was not given independent status until 1981. In 1982, they oversold the quota allotted them by Peking (which divides the foreign quotas among the provinces). But those teething troubles are over. The textiles corporation claims resounding success, having boosted sales abroad from \$13m in 1981 to \$50m last year.

Once past the everyday items like grey cloth, underpants and microscopes, the catalogue of Anhui exports becomes almost poetic. River pearls, rice paper, silver fish and peppermint oil rub shoulders with tea, writing brushes, silk and honey. Significantly, the proportion of processed goods compared to raw materials is steadily increasing.

When first permitted to trade on their own, the provincial branches of the state trading corporations had problems because of their inexperience. For instance, the Anhui



Foreign trade

	(Figures in \$m)		
	Imports	Exports	Total
1980	29.12	39.52	68.64
1983	33.67	170.4	204.07
1984	51.19	243.77	294.96

export which are not subject to

as the best potential growth area in his field, but the industry has had problems in weaving the fibre. It is now importing foreign machinery to help.

The cereals and oils corporation did not begin to export independently till 1983-84, but still managed to boost exports from \$20m in 1981 to \$50m last year.

The staples of its trade are rice, beans, oilseeds and canned food, of which forty per cent

explains Xu Caihua, himself vice manager of the Anhui Byproducts Corp. "We're the next: animal byproducts take around 20 per cent and native produce 10 per cent."

All three corporations, Anhui's export leaders, complained about the drop in world commodity prices. Cotton is 30 per cent below last year, maize has fallen \$10 a ton more from \$130 a ton, and the many categories of native produce are feeling the pressure. All seemed confident nevertheless that they could keep on pushing sales.

At around \$40m, the provinces imports, mainly machinery, were last year only one sixth of exports. Peking takes the foreign exchange earned, but returns 25 per cent which the province can spend on foreign goods. This is used for updating factory technology, which Peking will also support with loans.

Last year provincial companies contracted with foreign companies for about \$30m worth of equipment, but only \$40m were spent. A handful of compensation trade and joint venture agreements have been signed, but in many cases the machinery has not yet been imported.

Urban Wuhu, with a population of nearly half a million, stretches a mile or two along the low-lying southern bank of the Yangtze. Once an old town of small brick streets, multi-story buildings are beginning to sprout. Flood has taken a toll in the past, but local officials declared the river was now under control.

Wuhu is Anhui's major Yangtze port. Although the depth of water allows it to take ships up to 10,000 tons, it is severely handicapped by the bridge downstream at Nanjing. This restricts the size of vessels coming upstream to roughly half that. While foreign shipping is permitted to call, Wuhu officials admitted that none had done so yet.

Apart from ferries, the river looks quiet. But Xu Ruiling, the Port Bureau leader, claimed 44 docks, 19 kilometres in length. Two of these are allotted to foreign trade, and three more for the same purpose are to be built, though last year foreign trade cargo was only a tiny percentage of the total 5m handled in the port.

Most of the shipping carries raw materials—mainly coal

from north Anhui, plus sand and cement. New coal docks will be built to speed the shipment of fuel to the big industrial centres of Wuhai, Nanjing and Shanghai.

Wuhu's surrounding countryside—a peaceful area of paddy fields, cotton and jute, feeds its light industries with raw materials. Much of its industrial output—last year worth Yuan 2.2m—is made up by textiles. Duck feathers, hides and sand help to boost its down, shoe leather and glass factories.

City leaders are on the hunt for more trade and foreign investment. Like everywhere else in China, its exports are rocketing. They rose from only \$18m in 1983 to \$30m in 1984. Import figures were not available. Officials said those were handled not by the city but the province.

Textiles were the main money earner last year, with processed agricultural products—like the down quilts from the feather factory—coming next. Japan, Hong Kong and West Germany were the main partners.

With these successes under their belts, Wuhu's officials are now looking for foreign investment.

The city became famous in China last year as the base of one of its first millionaires. In 1978, Liang Guangshu started what is now a yuan 100m business favouring melon seeds, which he sells all over China. His completely private enterprise now employs 300 people. He has distribution centres all over China, and plans more factories to cater for local tastes. He has a new flat in Wuhu and a house in the country. He wears a smart black western suit and a diamond ring. If he is typical of the locality, Wuhu's future is assured.

Colina MacDougall

Anhui exports by market

Overseas markets	(Figures in \$m)			
	1980	1983	1984	
	Value %	Value %	Value %	
Asia	32.99 82.5	126.23 74.0	167.32 68.6	
HK/Macao	26.71 67.0	71.29 41.8	89.76 28.6	
Japan	5.87 14.7	48.02 28.2	80.57 33.1	
North America	1.23 3.0	6.0 2.5	6.28 2.6	
U.S.	1.23 3.0	6.0 2.5	6.28 2.6	
Europe	5.58 14.0	33.68 19.8	67.07 27.5	
West Europe	1.61 4.0	21.01 12.3	32.53 13.5	
USSR/E. Europe	3.97 10.0	12.67 7.4	27.09 11.1	
Others	0.05 0.2	4.55 2.7	3.11 1.3	
Total	39.82 100	170.47 100	243.77 100	

Wuhu city: gateway for foreign trade

AT THE confluence of the Great Yangtze and its tributary the Qingyi, Wuhu has been a river port since time immemorial.

Opened in the late 19th century to foreign shipping, it closed again after 1949. Not until April, 1980, in tune with China's new "open door" policy, were foreign ships and foreign trade again allowed.

With its broad shady streets and mild climate, Wuhu seems to share the elegance of much of central China. But times are changing. The province last year reorganised local administration over large tracts of countryside, a move intended to boost output and fuel exports.

Urban Wuhu, with a population of nearly half a million, stretches a mile or two along the low-lying southern bank of the Yangtze. Once an old town of small brick streets, multi-story buildings are beginning to sprout. Flood has taken a toll in the past, but local officials declared the river was now under control.

Wuhu is Anhui's major Yangtze port. Although the depth of water allows it to take ships up to 10,000 tons, it is severely handicapped by the bridge downstream at Nanjing. This restricts the size of vessels coming upstream to roughly half that. While foreign shipping is permitted to call, Wuhu officials admitted that none had done so yet.

Apart from ferries, the river looks quiet. But Xu Ruiling, the Port Bureau leader, claimed 44 docks, 19 kilometres in length. Two of these are allotted to foreign trade, and three more for the same purpose are to be built, though last year foreign trade cargo was only a tiny percentage of the total 5m handled in the port.

Most of the shipping carries raw materials—mainly coal

Anhui joint equity ventures:

Projects agreed in 1984

Location	Foreign partner by country	Type of venture	Remarks
Hefei	Italy	Synthetic leather	\$4.85m foreign investment
Maanshan	Hong Kong	PVC wall covering	
Hefei	Hong Kong	Colour printing and developing	
Anqing	Hong Kong	Medical products	
Wuhu	Hong Kong	Artificial diamonds	
Bengbu	U.S.	Electronics industry	
Fuyang	Hong Kong	Electronics industry	
Wuhu	France	Leather	\$2m
Hefei	Hong Kong	Building materials	
Hefei	Hong Kong	Hotel	\$15m foreign investment

* Already in operation

JOINT VENTURE IN LEATHER GOODS WILL OPERATE FOR TEN YEARS.

Chinese/French project now under way

Down an untidy lane in Wuhu, the sprawling port on the central Yangtze, stands one of the first of Anhui's joint ventures to get under way.

With a building site opposite and heaps of bricks round the entrance, the Yong Jin Tannery of China is joining a French company, known to the Chinese as Socop, in setting up a \$2m business making shoe leather.

"We're off to France soon to choose new equipment," says the factory director Nie Wenlong, a neat man with a brisk manner. "We met the French company last July, had seven months of discussions, signed the agreement and got provincial approval in February this year."

Under the terms of the

agreement, the French side is providing finance—and the Chinese, the land, labour water and power. The investment is 51 per cent Chinese, and 49 per cent French.

How would a French company find a partner in Wuhu, a westerner a remote and unknown town in central China? As so often happens, the answer was through an ethnic Chinese living abroad. A French Chinese on the company's staff had a relative in Shanghai who introduced him to the Yong Jin Company.

The joint venture will run for ten years. Profits will be shared according to the size of share in the company. No decision has been made on who will be chairman, but the French Chinese who helped to negotiate the deal

will probably return to Wuhu to help manage the new company.

The factory makes shoe leathers in conventional browns and blacks, but more daringly in pastels and even gold. It has a small output of brushed pigskin for coats. At present, most of the production (130,000 skins a year), is used in China. Only the finer ones are sold to Hong Kong, Italy or the U.S.

All this will change when the joint venture is set up. At least 50 per cent will go for export, and the company plans an outlet in Hong Kong. The new equipment from France is expected to upgrade quality enough to make this a real possibility.

The factory claims a profit of Yuan 150,000 in 1984, 50

per cent up on the previous year. Two years ago they were supplied with hides by the state, but now they have to buy them on the free market. The factory director claimed that there were plenty, but he acknowledged that cow hides had gone up 25 per cent in price.

The provision of electric power is the responsibility of the Chinese side. Factory director Nie says there is no shortage: "The factory works three shifts," he adds "but we only work a few shops at a time."

"We spread the load that way and of course, there's plenty of power at night." Most people would see these constraints as evidence of a problem.

Colina MacDougall

Anhui Animal By-products

Anhui Animal By-products Branch of China National Native Produce and Animal By-products I/E Corp is a developing foreign trade corporation of China.

Anhui started exporting some of her animal by-products in 1957. However, most of them were handled by Shanghai, Beijing, Tianjin and Qingdao.

From 1980 onward, our branch handles the export business of all Anhui's animal by-products. Since then, our product range has been rapidly expanding and the export value sharply increasing.

We are currently exporting about 60 kinds of products including White Angora Rabbit Hair, Rabbit Hair Yarn, Feathers, "Swan" Down Products, Hankow Raw Goatskins, "Pearl" Leather Garments, Bristles, "Forever Happy" Brushes, Furs and their Products, Casings, Animal Fertilizers and Feedstuffs.

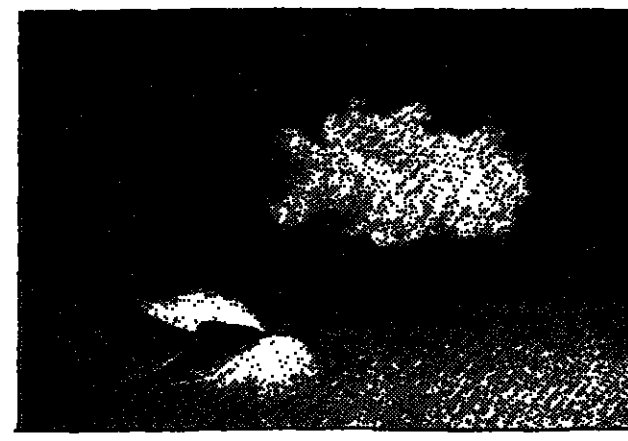
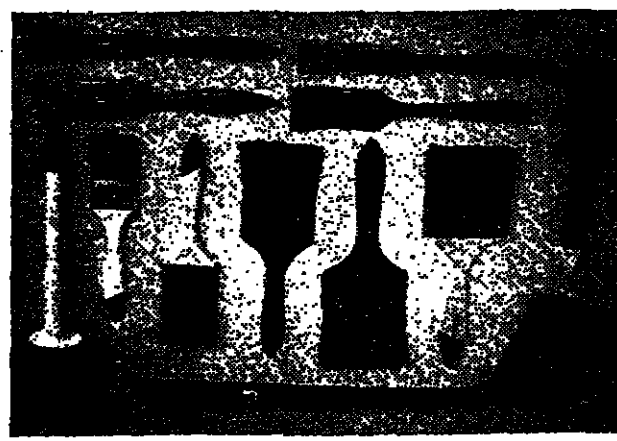
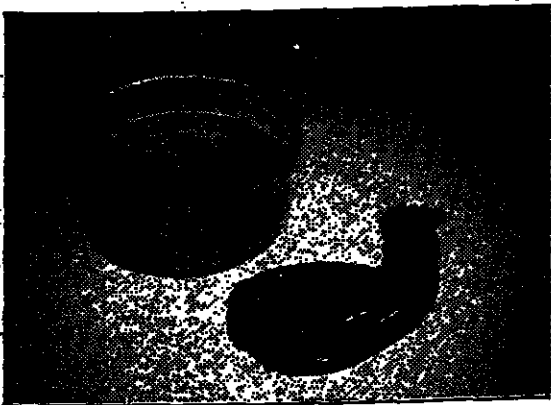
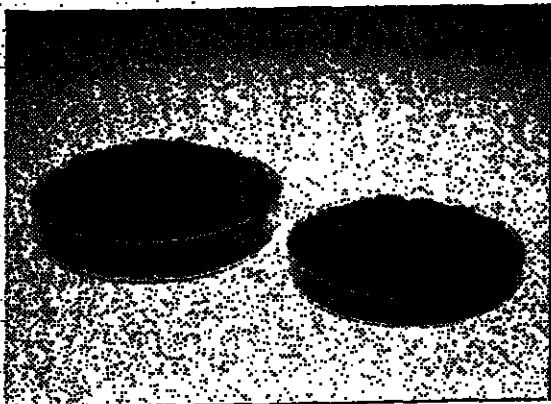
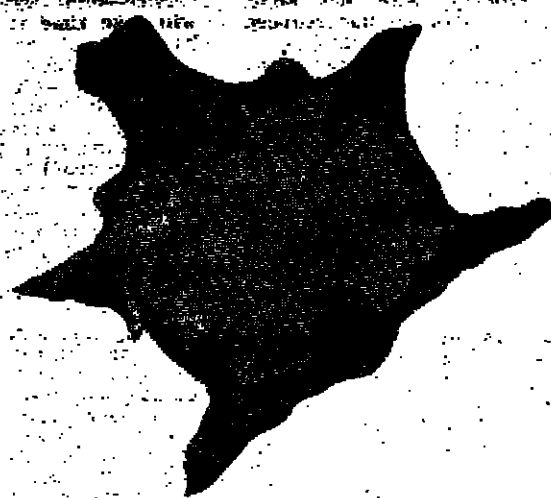
Feathers and rabbit hair are our key exports. Our goose down, with its thick cluster and strong resilience, is the best in China. Our rabbit hair is white in color, clean, soft, light and of standard length; it is an ideal material for quality woolen products. Raw goatskins and bristles are also among our major export commodities.

Anhui abounds in natural resources and produces large quantities of raw materials, semi-products and a wide range of quality products. Our export is now growing rapidly.

We sincerely hope to strengthen cooperation with overseas countries and regions to open up new production bases and to further develop our processing industries. We welcome contact by correspondence, by telex, or by personal call. Contact us today for details.

China National Native Produce & Animal By-products I/E Corp.,
Anhui By-products Branch

Imp/Exp Building, Jinzhai Road, Hefei, China
Tel: 61685, 61469 Cable: "ANHUIXC" Hefei
Telex: 90012 AHXC CN



ANHUI PROVINCE 4

Coal: key to industrial expansion

THE COALFIELDS in Anhui's flat northern plains—the third largest in all China—are, during the years ahead, intended to provide the feedstock for ambitious development programmes extending far beyond the province's boundaries, and encompassing power, chemicals, and a wide range of related industries.

The province is estimated to have reserves amounting to about 22bn tons—less than only Shanxi and Hebei. Output last year—about 27m tons—accounted for a bare 3.5 per cent of national output. But plans are now well advanced to boost production, with new mines being brought into operation which by 1995 should have more than doubled output.

Reserves are found mainly around Huabei in the far north of Anhui, and around Huainan, on the southern banks of the Huai river.

Huabei today accounts for the majority of output—about 13m tons—but most of its 13 mines are comparatively small, and have been well worked.

The main hopes for the future are pinned on Huainan, where technological breakthroughs have given engineers access to rich seams that were until a few years ago inaccessible.

By David Dodwell

Coal was first mined in Anhui over 400 years ago, but most of today's mines were built on establishment of the Chinese republic in 1911. Until 1949, they and the industries based on them were the private property of the fabulously wealthy Soong family, and while they were taken over by the state after the Communist revolution, output has been stagnant since

then, last year it reached 9.1m tons.

The dominant part played by the coal industry in the economy of a city such as Huainan is formidable. About 85,000 people are employed directly in the mines, but the coal mine bureau employs a further 45,000 in the chemical, cement, machinery repair, and coal washing plants that it owns. Also owned are a 40,000-strong construction company, a university and a technical college.

The resources to be newly worked—which form the foundation of much-discussed expansion plans—are slightly north of Huainan, on the northern banks of the River Huai around the town of Panji. The Chinese have been aware of rich seams in the area for many years, but have never tried to work them because they lie under 200 feet of shifting sand. Only with new technologies, under which the sand was frozen to enable a shaft to be drilled through it, has exploitation become possible. The first

mine on the field—Pan Yi (meaning Pan Number One)—went into production late in 1983, and is expected by 1987 to be producing over 3m tons a year.

Further mines—at Pan Er, Pan San and Pan Si (Pan numbers Two, Three and Four) and at Jie Qiao, are intended to be producing similar quantities of steam coal by the end of the decade. With the enhancement of output at established mines like Jie Jiao Number One, production from Anhui's fields could be close to 45m tons by the end of the decade.

Power plants

The new coal supplies are intended first and foremost to provide the feedstock for major thermal power plants now coming off the drawing board. A 300mw plant will be commissioned at Lobe in October this year, while a 600mw plant at Jiangnan is under construction. Staff at the Huainan Fertiliser Bureau, is under intense Government pressure to upgrade its plant, both to save energy and

will eventually have a generating capacity of 2,400mw. It is intended to serve Shanghai, Jiangxi province and Jiangsu province, as well as Anhui.

The first stage of Pinwei, comprising 1,200mw, is scheduled to be in operation in 1987. The true scale of these projects is highlighted when it is noted that Anhui's total generating capacity at present amounts to 900mw.

A second prong for regional development is to develop industries using the new power supplies, and industries using coal as their main natural resource. Coal washing capacity is being enhanced, both to raise the price and marketability of the coal, and to exploit the by-products for steel-making, cement and other chemical industries.

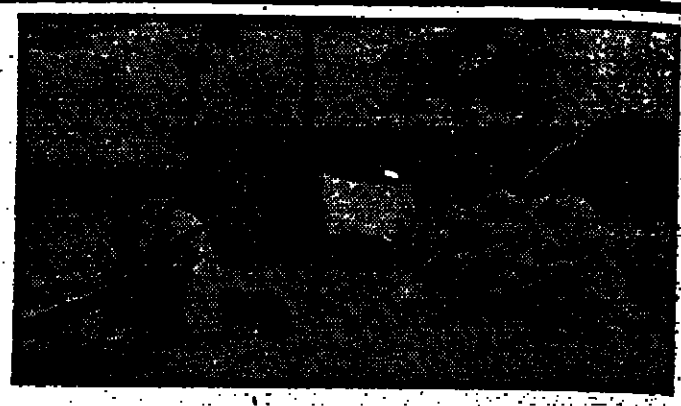
Fertiliser and pesticide plants, critically important in a predominantly agricultural province, are also a high priority. Staff at the Huainan Fertiliser Bureau, is under intense Government pressure to upgrade its plant, both to save energy and

increase output of fertilisers like Urea, which are still in extremely short supply in the countryside.

As in Britain, Huainan's coal-miners are among the best available in industry in the country, ranging from RMB 150 to RMB 350 a month, while miners see themselves as part of China's industrial aristocracy, mines provide a range of welfare benefits. As such, the industry attracts large numbers of workers from the countryside around.

This has led to one obvious but bemusing problem: the community is almost totally male, with many young workers complaining it is almost impossible to find wives. The local trade union has tackled the problem by advertising in newspapers and on radio stations across 17 provinces for prospective brides.

The first campaign, held early in 1984, led to 15 couples marrying on National Day last year, and a further 60 during the Spring Festival, three months ago. The play is to be repeated again this year—and if it leads to greater staff satisfaction, and improved productivity, why not?



Chishang village: the area is still poor.

PROFILE: FENYANG, THE BIRTHPLACE OF THE 'RESPONSIBILITY SYSTEM'

A model for 800m peasant farmers

UNTIL SIX years ago, China's peasants were being exhorted to "learn from Dazhai," the model commune that was supposed to provide living proof of the success of Chairman Mao's egalitarian agricultural policies.

Today, the new model is Fengyang in northern Anhui, birthplace of the "responsibility system," and cornerstone of Deng Xiaoping's plan to lift China's peasantry out of poverty.

Chairman Mao and his supporters refused to admit that the outcome of their farm policies.

"What we learned from Dazhai was that Chairman Mao's agricultural policies were a failure," says Wang Yuxing, Fengyang's First Party Secretary.

"Like most cadres during the cultural revolution, I wasn't impressed by the movement, but we couldn't do anything about it, because it had been the brainchild of Chairman Mao."

Like Dazhai before it, Fengyang has been carefully chosen by China's leadership.

The claim may be true that peasants in the small hamlet of Chishang, in the north of Fengyang—introduced, secretly and spontaneously in 1978 what was to become the "responsibility system." But that alone is unlikely to have persuaded China's leaders to make this a model for the country's 800m peasants to emulate.

It is no accident in a country where historical analogies are used subtly to provide modern messages that a Fengyang peasant, Zhu Yuzhang, 400 years ago led a peasant uprising which overthrew the last "Yin" emperor, to become the First Emperor of the Ming Dynasty.

It is also no accident that Zhu's home village was later razed to the ground, and Zhu unseated, because of his failure to improve the lot of the peasants from among whose ranks he had come. A Chinese leader neglected the peasants' interests at his peril—whether he is a Ming emperor, or Mao Zedong.

On the banks of the notoriously volatile Huai River, Fengyang is an area—still closed to foreigners—where floods and droughts have combined with political exploitation and neglect to keep peasants in a state of extreme poverty for as long as anyone can remember. It used to be taken for granted that a large proportion of the beggars that littered Shanghai's streets before liberation came from Fengyang.

Xu Cuzhen, one of the millions of "educated youth" inspired by Chairman Mao to

leave their cities for the countryside in 1969, and one of 10 Shanghai girls who came to Chishang as barefoot doctors, recalls: "For year after year we were like beggars. A lot of the time we earned RMB 6,000. They have a brick house which overflows with the shanty that we all the family could afford until two years ago."

With her husband farming four acres, and Xu working at a nearby hospital, they last year earned RMB 6,000. They have electricity, a washing machine and a black and white television (Xu was worried the rays from a colour tube might damage the children's eyes).

Neighbour Wu Fungui is one of the three farmers in Chishang credited with successfully dismantling Chairman Mao's cherished commune system—under which all land was communally owned, and crops pooled—and introducing what has been coined by China's leaders "the responsibility system."

In a hamlet of just 16 households, they say they won secret agreement to cultivate local land on an individual basis, and on an individual basis, set amid fragrant blossoming Chinese scholar trees, covered with framed certificates of praise for Fengyang from officials countrywide. Red calligraphic posters carry messages with lofty sentiments, like

CONTINUED ON PAGE 5

Anhui Canned Fruits & Kiwi Fruit Juice



Kiwi Fruit Juice

- A perfect thirst quencher from fresh kiwi fruit, a special product of Anhui.

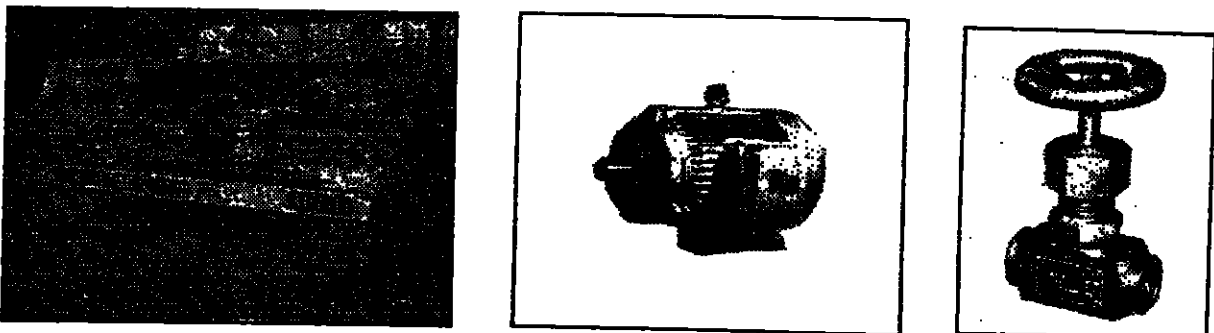
Maling Canned Fruits

- Made with the finest fruits
- Refreshing and tasty
- Ideal for picnics or for use at home



China National Cereals, Oils & Foodstuffs I/E Corp., Anhui Branch
Imp/Exp Building, Jinzhai Rd., Hefei, Anhui, China
Cable: "CEROILFOOD" Hefei Tel: 60885

Anhui Machinery and Equipment



Anhui Branch of China National Machinery and Equipment I/E Corp. is a corporation integrating trade with production. We handle all foreign trade activities for Anhui's machinery industry, including spot transaction, future contracts, processing and assembling business compensation trade, production with customers' brands and co-production.

We export mining, hoisting and transporting machinery, compressors, printing machinery, general machine tools, boring machines, power presses, instruments and meters, tractors, electric and fractional horsepower motors, motors for sewing machines, valves, fasteners, castings and forgings, parts of autos and tractors, bearings, grinding wheels, sharpening stones and tools.

We also import advanced technology and equipment required by Anhui's enterprises.



China National Machinery & Equipment I/E Corp.,
Anhui Branch
Imp/Exp Building, Jinzhai Rd., Hefei, Anhui, China
Tel: 61103 Telex: 90022 CMECA CN Cable: EQUIPMEX

Mr Chen Mingren, general manager of the Maanshan Iron and Steel company: bold plans for development.

Iron and steel sector now being updated

FOR A steel town of 300,000 people, Maanshan is surprisingly attractive, with broad tree-lined streets and comparative lack of pollution. The Iron and Steel Works, its reason for existence, has developed over the years from a small plant making only iron to a 1m ton of steel a year enterprise, employing 60,000 workers, the biggest enterprise in Anhui.

Though way after giant steel plants like Anshan and Wuhai, and making only a few percent of China's total steel, it ranks fifth or sixth (the management weren't sure which) in national importance, in the sector.

With its own iron mines and excellent communications, it plans to develop up to 3m tons capacity by 1990. According to the general manager, Chen Mingren, the provincial leadership is strongly supporting the project—not a foregone conclusion in China's system of divided responsibilities, since the plant mainly comes under the ministry of metallurgy in Peking.

Updating and expansion have begun. The U.S. Rust Company is now making a feasibility study for modernising the railway wheel and tyre plant under Washington's Trade Development Programme. A Canadian team is advising on computerising the company's management.

"We're building a wire rod mill which we've bought from Schloeman Siemens," says Chen Ji, vice manager of the Maanshan office of the China Metallurgical Import and Export Corporation.

"The equipment will be delivered by the end of the year," he says.

"We're going to put a continuous casting plant beside it, for small sections of steel billet. We're having the equipment for it built in Haogzhou, with some Swedish technical help."

Medium-term plans include a new oxygen plant to improve steel making, replacement of the old and small open hearth furnaces by converters or electric furnaces, a medium-plate mill and a new wharf.

"We're looking for second hand equipment," adds Chen Ji. "General manager Chen Mingren has just returned from a two-month trip to the U.S. and Japan, where he visited Bethlehem Steel and Sumitomo."

Further down the line are a new blast furnace of 2,500 cu metres capacity and a sinter plant with a 300 sq metre bed, both to be finished by 1990-1992.

"After these improvements the plant's output will be about 3m tons," adds Chen Mingren. A second new blast furnace is an eventual possibility, which would raise output to 5m tons.

The foreign cost of these improvements will be about \$50m.

"I hope to get a 100m yuan loan from the People's Bank," says Chen Mingren. "I can buy foreign currency with it from the Bank of China."

Selective foreign purchasing has been the policy for some time. The main motor in the 800,000 ton blooming mill came in 1979 from the West German Siemens, while the rest was built in Taiyuan, Shanxi Province. The machine repair plant includes a Polish boiler and a Czech vertical lathe, both installed in 1972.

Basically, the plant's technology is Soviet, derived from other Chinese steel plants built in the 1950s. However, the blast furnaces, small by modern standards, are probably much older. The company is about to close its two smallest steel converters.

The plant has been earning foreign exchange since 1982, and Chen Ji and Cheng Bifu, vice-manager of the wheel plant, recently returned from a selling mission to India, Pakistan, Thailand and Hong Kong. Besides steel products, the company also exports coal by-products and items such as vanadium.

"We're interested in compensation trade arrangements," adds Chen Mingren.

Foreign currency income this year will be several hundred thousand dollars, of which the company is allowed to keep 10 to 30 per cent. This will help to finance trips abroad.

Optimism over the company's future seems justified. Maanshan stands on a belt of iron ore that stretches from Nanjing, along the Yangtze and far up into Anhui Province.

"Ore reserves are 150m tons or more," comments Chen Mingren. Though, like most Chinese ore, the iron content is low (30 to 50 per cent), with sintering and judicious mixing with small amounts of Australian ore, the result is fairly satisfactory.

Maanshan is well placed beside the Yangtze for access to the great industrial cities—Shanghai, Nanjing, Wuhan, Chongqing, which dot its banks. Rail transport is good. Coal comes from Anhui's own mines at Huainan and Huabei. Power is derived from the provincial supply and is on the whole sufficient.

Demand for steel in China is increasing as the country speeds up modernisation. Even with the giant Baoshan plant near Shanghai due to start up later this year, Chen Mingren foresees no problem in disposing of his output.

Colina MacDougall

CHINA NATIONAL NATIVE PRODUCE & ANIMAL BY-PRODUCTS I/E CORP., ANHUI TEA BRANCH

THE SCOPE OF OUR BUSINESS:

BLACK TEA: Keemun Black Tea
Anhui Black Tea
Black Broken Tea

GREEN TEA: Special Chunmee
Chunmee
Special Hyson
Young Hyson
Sowmee
Sitting & Dust

SPECIAL TEA: Huang Shan Mao Feng
Tai Ping Hou-Kut
Yong Xi Huo Qing
Lu An Gua Pian
Jiu Hua Mao Feng
and etc.

Address: 47 Lu Jiang Road, Hefei, China
Cable: "ANHUITEA" Hefei
Telex: 90011 AHFTS CN
Tel: 72968, 76674

Big boost for agriculture

ONE OF Anhui's greatest strengths—but in historical terms one of its greatest weaknesses—has been its agricultural sector.

Straddling the Yangtze and Hual rivers, it has rich soil and an abundance of water. Yet a combination of floods, drought, and political upheaval have until very recently kept the province in a state of perpetual poverty.

The last natural calamity—a six-month drought in 1978 that prevented the planting of any wheat—was, without doubt, an important trigger for the final collapse in Anhui of the highly egalitarian commune system that had for two decades been the cornerstone of Mao Zedong's economic policies.

It was thus unlikely to have been an accident that leaders in Peking, casting round for a new model to replace Dazhai—the discredited model for Mao's commune-based agricultural system—picked out Fengyang County in the north of Anhui. Throughout much of its history, the main export from this impoverished corner of eastern China's poorest province was its beggars. At the end of 1978, it was at a low ebb, despite 20 years of "learning from Dazhai".

Leaders claim—improbably that the "responsibility system"—the rural free enterprise system that was Deng Xiaoping's first and most important step towards releasing China's long suffering peasantry from decades of dogma-induced poverty—emerged secretly and spontaneously in Fengyang. Whether

this is true or not, the whole of China's peasantry are now being called upon to "learn from Fengyang".

In the six years since the "responsibility system" was introduced, Fengyang's grain output—mainly wheat—has soared from just under 1.5bn kilos to almost 4.4bn kilos. Farm incomes have risen from an annual average of RMB 81 in 1978 to RMB 400 last year.

Delapidated mud shanties are being replaced by simple brick built houses. Pigs, ducks and hens are again foraging around every house after being all but exterminated before 1978. Fengyang is once again self sufficient in grain, and selling cash crops to other provinces, after years of begging emergency grain from Peking.

Mechanisation has still to reach most of Fengyang's fields, but more pesticides and fertilisers are being used. The labour-intensive nature of farm work means that families are still large, with peasant concern over Peking's call for one-child families.

Fengyang is—write small—an example of what is occurring

throughout Anhui and the rest of China. With its staple crops of rice in the south, and wheat in the north, Anhui last year produced 22m tons of grain, and was a significant supplier to the state.

"The peasants are now producing so much grain that we can't sell it all," says Xing Shen, director of the province's agricultural policy study office. As a result, cash crops are being encouraged, with officials hoping that free market price mechanisms will persuade more farmers to commit less acreage to grain.

Among the cash crops being grown in increasing quantities by farmers are cotton (Anhui is now China's fifth most important supplier of raw cotton), jute, rapeseed, tea and tobacco.

One of the highest priorities is also to build up rural industries to absorb the workers who have been displaced on the land by greater efficiencies possible under the responsibility system, and who would otherwise probably drift into unemployment in one of China's still hard-pressed cities.

Fish farming is also being encouraged, with plans to double the 1m acres of lakes and reservoirs now being used for rearing fish and crabs. With improved control of the notoriously volatile Hual and Yangtze rivers, and with plans in the pipeline for a canal linking the two rivers across the centre of the province, Anhui has considerable potential for becoming an important national supplier of fish and other aquatic products.

While there is clear evidence that fertilisers and pesticides are being more widely used, officials still admit to shortages of urea and other compound fertilisers. A large proportion of the recent gains in agricultural output have come from shifts into double and triple cropping rather than from use of high-yielding seeds, or from improved use of fertilisers.

This explains why there are plans to use more of the province's plentiful coal supplies to boost output of basic fertilisers. Since Zhou Dawei, one of the province's vice-governors, has spent a large part of his career heading Anhui's two main fertiliser plants—in Huaiyin and Anqing—it seems improbable that this urgent need will be overlooked.

Agriculture will continue to play a critical role in Anhui's future economy. Over 90 per cent of its 51m population live

in the countryside. Excluding agriculture-based industries, the farm sector accounted for 47 per cent of the province's RMB 34bn agricultural and industrial output.

Officials have every intention of developing industries that will exploit its improved supplies of agricultural products. An animal foodstuffs industry is being tailored to cater for the increase in animal husbandry that is occurring in the countryside.

Factories making farm machinery are being built up. Food processing and brewing industries are earmarked for rapid growth, possibly with foreign joint venture participation. Extensive research has just been completed removing acids from rapeseed so that it can now be used as the base for edible oils, while foreign equipment has been imported enabling local textile manufacturers to mix locally grown garments that are not subject to U.S. export quotas.

Rural industries involved in handicrafts, and making products like reed mats, are also emerging, providing sideline activities to sustain farmers during the quiet seasons between the intensive periods of planting and harvesting, and to provide a firmer foundation for improved rural incomes. This has succeeded in staunching the drift to town and cities that is common in many developing countries, and has provided more entrepreneurially-minded farmers with opportunities for getting rich very quickly (see profile of Chen Xinghan).

Confident

For as long as cold winds from the north of China, and warm winds from the south continue to clash over Anhui, peasants will be able to do nothing about the inclement weather that has in the past kept it poor—though improved water control will enable it to cope more easily than ever before.

However, peasants are becoming increasingly confident that the clash of political winds that has in the recent past done more damage than the weather itself is part of an impoverished past.

The farmers of Fengyang may not yet be rich, but they are no longer ignominiously starving.

David Dodwell



Prosperous local employer, Mr Chen Xinghan (left) with his utility vehicle. A young farmer, right: many did not agree with Chairman Mao's policies

PROFILE OF A LOCAL BRIGADE LEADER AND MODEL PARTY MEMBER

How Mr. Chen became a tycoon

FOR THE past 30 years, villagers around Guzhuang in Fengyang county have known Chen Xinghan as the local brigade leader. Since 1981 they have come to know him as local tycoon and employer. He has become rich by means of reed mats and the responsibility system.

"The peasants in my village didn't agree with Chairman Mao's policies," he says between sips of scalding hot green tea on the first floor verandah of his RMB 95,000 house. "I was always sure they would not last."

Reed mat-making is a traditional occupation around Guzhuang, close to the southern banks of the Hual River in Fengyang. What has set Chen apart is that he has turned it into a business. Using peasants as day labourers when they are not busy planting or harvesting their own crops, he employs up to 200 people, and makes about 900,000 mats a year. Last year this earned him over RMB 115,000.

"I decided to concentrate on manufacturing mats and transporting them by advanced methods," he said. At first this meant using a hand cart. Nowadays he has tractors and trucks to do the job, selling mats as far afield as Heilongjiang in the north-east of China.

He insists his party membership, and position as leader of a community including 21 villages and 12 production teams, has played a negligible part in his striking success.

"I'm just a peasant, and leaders like me never had any *guanxi* in the towns or cities," he insisted. *Guanxi* (pronounced *gwahn-shee*) is the word Chinese use to describe the way people win power, privileges or influence by means of nepotism, bribery, or high party rank. While China's leaders insist that such "back door" access to privilege has been stamped out, it is widely known that it thrives today, and few people rise far without it.

Chen's claim may be true, however. At the village level, leaders have emerged by virtue of their enterprise or intelligence, and Chen may be just such an example.

He shows few signs of favouring respect for officialdom—the mere fact that he has eight children suggests he does not toe every party line. His easy grasp of the elements that make up an increasingly complex business showed a skill more commonly linked with Chinese entrepreneurs in Hong Kong than with China's state industrial leaders.

When the responsibility sys-

tem was introduced in 1979, and the local land was divided, Chen was allocated an exceptional 10 acres. Less than two acres were put down to reeds, with the rest still today committed to wheat, rice and beans.

Workforce

Having decided in 1981 to take the plunge marketing mats, Chen set up an extensive local buying network. He reached agreement with local villagers that they would work for him at RMB 5 a day when they were not busy in their own work. Every weekend, his workforce is swollen by schoolchildren augmenting the family income.

Chen says he feels no awkwardness employing other people: "I pay them a good wage. Five yuan a day is more than most of us earned in a month six years ago—and I'm still a peasant, just like everyone else."

Despite the huge—and empty—house, Chen indeed shows few signs of opulence. Odd plastic-covered settees sit on concrete floors, and electrical wiring is tacked along walls as is common in many ordinary Chinese houses. He has a telephone and a jeep, which he says are essentials for his business, but he dresses in no way differently from fellow villagers.

What will happen in a few years is another matter, however. It should not be forgotten that there are scarce ways of spending money in China, whether you earn a lot, or not.

While Chen has adeptly espoused free enterprise, he prickles at the suggestion that a decade ago he would have been condemned as a "capitalist roadster." The litany of his philanthropic gestures is long: roads have been built in the locality, electricity wired to the local village. He has given the local school RMB 5,000, and provided a RMB 44,000 grant to the local town.

He has further plans for road building, the supply of running water, and a dining hall providing free food for his workers.

As a model party member, skilfully adapting to the demands of the "responsibility system," Chen has learned quickly that accumulating great wealth is all very well, but if he does not fulfil socialist obligations to bear in mind the wider needs and interests of his local community, then both he and the "responsibility system" are living on borrowed time.

For those who say China is "going capitalist," it is a thought worth bearing in mind.

D.D.

Fengyang's success

CONTINUED FROM PAGE 4

"Keep the Labouring People's Nature Good" or "The Four Modernisations have Achieved a Great Deal," and "Labour Brings a Rich Life."

Six years of the responsibility system has rewarded Wu's labour with what in peasant terms amounts to riches. Offering guests tea and roasted melon seeds, this one-time ill worker in remote Gapsu province compared the poverty of five years ago, when his family of seven children had to subsist on RMB 300 a year, with the prosperity that his 10 acres of land have brought—RMB 19,000 last year.

The marriage of his eldest daughter, "impossible until recently, because the family could not afford it—cost just under RMB 3,000.

While the county has yet to catch up with the richer parts of northern China, its neighbouring Jiangsu and Guangdong in the south, it is keen to live down this reputation as one of the poorest corners of one of China's poorest provinces.

Total agricultural output has trebled since 1978—to 4.35bn kilos in 1984. Peasant incomes now average RMB 400 a year, compared with RMB 80 in 1978.

"We are no longer eastern China's poorest county," says Party secretary Wang. "We learned from Dazhai that the commune system could not work. What we have learned from Fengyang is different. Farmers have solved the problem of food shortage for themselves. No one in our history has managed that before."

D.D.

Anhui Silk

With her long history of production, Anhui is one of China's major silk centres. Anhui Branch of China Silk Corporation, an enterprise integrating production with trade, is responsible for the unified management of all aspects of Anhui's silk industry. Under the Branch are 33 factories, all well equipped with advanced production facilities. Anhui silk products sell well in West Europe, the U.S., Japan, Hong Kong and Southeast Asia and are met with warm welcome by customers.

"Galeeny Brand" Silk Piece Goods

"Galeeny Brand" Silk Piece Goods are smooth and soft to touch, static-proof and with excellent ventilation property. They also feature harmonious colors and elegant patterns. Available are pure silks (crepe-de-chine, habotai, twills), blend silk fabrics (silk/cotton, silk/wool, silk/ramie), and rayon fabrics.

"Double-peach Brand" Embroidered Blouses

"Double-peach Brand" Blouses are made with pure silk or mixed fabrics. Collars, fronts, expansions and cuffs are embroidered with attractive patterns. Of superb workmanship, our blouses are comfortable and fashionable. We also welcome orders with samples.

"Blossom Brand" White Steamed Filature

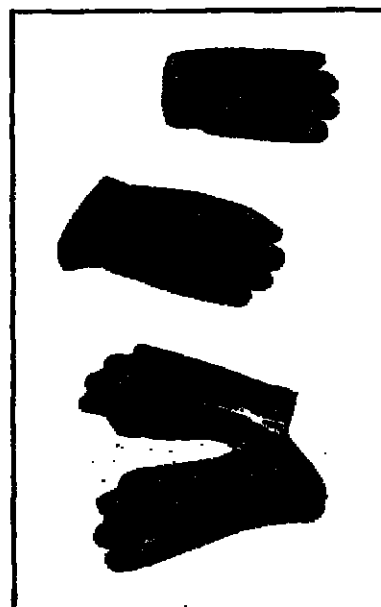
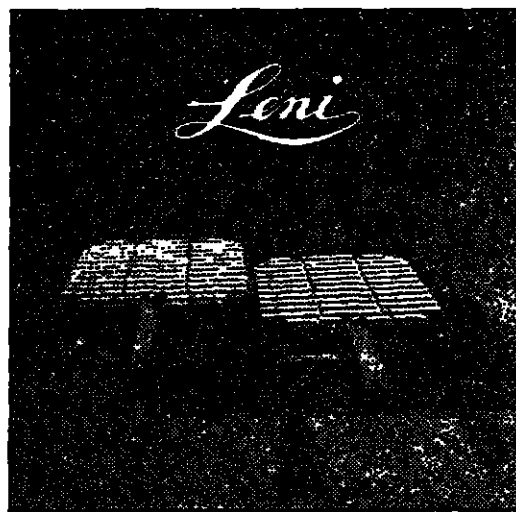
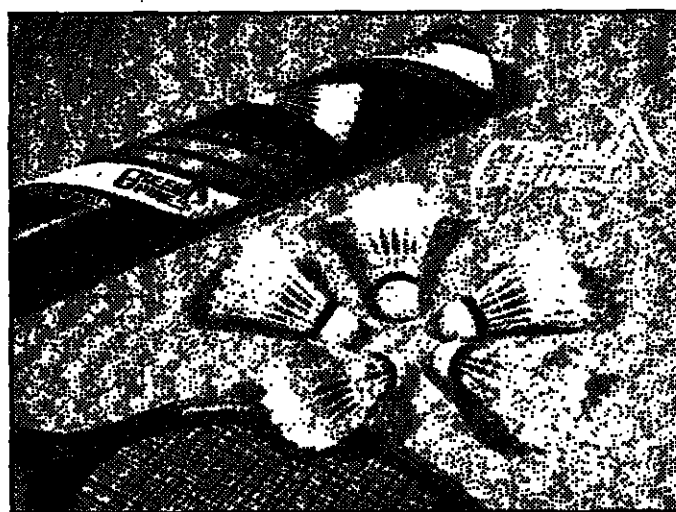
Our "Blossom Brand" White Steamed Filature, with its sheen and soft handle, is a top quality silk material. Specifications include 19/21D, 20/22D, 24/26D and 27/29D.

"Jinjiang Brand" Silk Tops and Silk Noils

"Jinjiang Brand" Silk Tops are combed short silk fibres. They are suitable for spinning of spun silk yarns or blending with other fibres. "Jinjiang" Silk Noils, a by-product of silk tops, are characterised by the small white spots formed by the curls of the fibres. They can be blended with wool or other fibres to produce fashionable, lustrous fabrics.

China Silk Corporation, Anhui Branch
216 Changjiang Road, Hefei, China
Tel: 76439 Cable: 4846 Hefei

Anhui Light Industrial Products



The export business of Anhui Branch of China National Light Industrial Products I/E Corp has been growing rapidly. Anhui light industrial products are now marketed to over 30 overseas countries and regions including Southeast Asia, Hong Kong, the Middle East, West Europe and North America. All are well received by our customers. We handle more than 30 kinds of products. Our main exports are vacuum flasks, leather shoes, rubber shoes, shuttlecocks, barbecue stoves, paper, fountain pens, bags, labour gloves, leather wallets and building materials. Anhui has long been known as the "Land of Feathers" of China. In fact, all Chinese shuttlecocks for export are made

with Anhui geese feathers. Anhui thus enjoys exceptional advantages and produces superior shuttlecocks under the brand name of "Green Pine". Anhui Branch of China National Light Industrial Products I/E Corp sincerely hopes to further develop its business ties with the world on the basis of equality and mutual benefit. We welcome business in processing to clients' samples and manufacturing under clients' brand names, compensation trade, joint venture and co-production.

Please write or telex us today for further information.

China National Light Industrial Products I/E Corp., Anhui Branch

Imp/Exp Building, Jinzhi Road, Hefei, China
Cable: "INDUSTRY" Hefei Telex: 90018 AHND CN Tel: 61835 60405

ANHUI PROVINCE 6

PROFILE: CUI ZHIKANG THE MAYOR OF HUANGSHAN CITY

A new breed of Chinese official

YOU COULD be forgiven for thinking that Mr Cui Zhikang, mayor of Huangshan City, was a local official who had quietly worked his way up through the ranks to end in a post of key importance in Anhui's tourist development. The slight, grey-clad figure, the open-necked shirt, the unassuming demeanor, all suggest it.

You would be wrong. Mr Cui came a year or so ago from a top post in the party structure, assistant to one of the provincial party secretaries. His daughter—an only child—is on a computer course in Japan, a golden opportunity for any Chinese youngster.

Cui is one of China's new breed of officials. He graduated in the 1950s from the People's University in Peking, where he studied philosophy. He is young, educated and though not a technocrat is clearly bright.

His course at the People's University covered mainly Marxist-Leninism, though "I also read Descartes," he says. He became a teacher, and in 1964 was sent to Anhui's capital Hefei to take part in Mao's "four cleanups" campaign. This was a preliminary to the devastating Cultural Revolution.

The crucial years of that move-

ment, 1966 to 1968, he spent back in Peking, though he did not say in what capacity. He came back in 1968 to work in the Hefei teachers' college, and later moved to the propaganda department of the provincial party committee. A year or so ago he opted to come to Huangshan.

Last year the administrative divisions in the area were altered to concentrate resources and unify the piecemeal development of the mountain. The old Taiping county was re-named Huangshan and now includes the beautiful Taiping Lake, about 500 villages and some towns from other counties as well

as the mountain. The city administration now covers 140,000 people.

Another motive may have been that the provincial government wanted to strengthen its grip on a very desirable asset. The China Travel Service maintains a powerful presence on the mountain and its representative declared that in tourist matters the mayor was subordinate to him.

Be that as it may, the provincial government has now installed a man who has strong party ties and friends in high places.

Colina MacDougall

Great scope for tourism

IMAGINE a traditional Chinese painting with its towering cliffs swirling clouds and stunted pines and you have Huangshan, one of China's most celebrated mountains. Its scenery is imprinted on the collective Chinese consciousness and reproduced in millions of paintings and self-consciously artistic Chinese gardens. But confronted with the austerity and grandeur of the reality, these stereotypes are blotted out.

A 150-square kilometre area of cliffs and peaks, Huangshan lies in the mountainous south-west corner of Anhui. It has been famous since Tang times for its association with the poet Li Bai, who described its peaks as "lilies in a sea of gold." It attracts thousands both from China and abroad who want to climb the stone steps some 4,000 feet to see the sunrise, the clouds and the rocks.

Even in China, a land of spectacular and often holy mountains, Huangshan is unique. The mist veils first one peak and then another, blown up and down by air currents in a way the ancients must have found truly magical.

Huangshan is Anhui's major tourist attraction. While much of the province is beautiful, with lush green paddy fields and small brick villages, it lacks spectacular historical sites. So far, the tourists are mainly Chinese, but the provincial authorities hope to make it into a dollar earner.

Foreign business is growing, says Wang Xudong, head of Huangshan's Tourist Bureau. Out of 420,000 visitors in 1980 some 3,500 were overseas Chinese and 900 were foreigners. Last year, out of 4.1m total, Hong Kong and overseas Chinese reached 40,000 and foreigners 8,000. These figures may not be very accurate but they provide rough orders of magnitude.

Local Chinese are also much keener these days to take holidays. In Deng Xiaoping's China there is money to spare. One student from the Sihuan Teachers' College in Chengdu was on a three-week tour of Hangzhou, Shanghai and Huangshan, costing Yuan 500.

A giggling pair of Hangzhou shop assistants were on a five-day trip with their work mates for Yuan 50, and a teacher and

his wife from Hui'an paid the same.

"I didn't even need to save up for my trip," says Wang Piping, a radio technician from Hefei. "I already had the money."

This new demand means improving hotels, communications and transport—no easy task without damaging the environment. Already the thousands of visitors strew the paths and beauty spots with eggshells and plastic juice bottles.

The bunk-bedded wooden huts near one of the mountain hotels are a blot on the landscape.

The tourism business began five years ago. The hot spring area at the foot of the climb to the peaks boasts two hotels,

providing only 200 not very comfortable beds. On the mountain itself there are another 200, plus the dormitory accommodation. The thousands of coachloads of workers and students which converge on Huangshan at peak times mean that vast numbers of people sleep on the ground.

For the Chinese, the crowds are no drawback. The hotel areas have a resort atmosphere, with hundreds of holiday-makers eating, drinking, chatting or simply wandering about. The atmosphere—though little else—is reminiscent of a ski resort in season, with the visitors in the latest Shanghai fashions.

Mr Wang said that a major priority was to preserve the beauty of the mountain, but in

the initial construction period this will not be easy. The big development at present is the building of a cable car, with equipment supplied by Japan.

Since everything for the visitor, down to the last bamboo shoot, is carried up by sweating porters, this will revolutionise the catering and open the mountain to thousands who could not manage the stiff climb.

Other plans include a new hotel in the hot spring area, to be built as a joint venture with an American Chinese. The U.S. side will provide \$4.5m, and the Huangshan Tourist Bureau the rest, in terms of land and other facilities. Another 200-bed hotel is on the drawing board, due for completion in May 1986.

To relieve the acute water shortage on the peaks and ease out the power supply, a new reservoir and hydro-power station are planned.

Mayor Cui of Huangshan was uncertain how much money flowed into the area from tourism, but it is clearly an important resource for the locals. Currently, they scratch a living from the small patches of cultivable land at the mountain's foot. In the long-term, officials plan to spend around \$200m of the province's resources on putting in two more cable cars and new hotels.

Eventually, we hope to build a small airport," says Mr Wang. At present, visitors come by bus from Wuhu, Tunxi or Hangzhou which are on the railway route. The journey from the big cities of the east can take anything up to 24 hours. Roads to Wuhu and Hangzhou will be widened—at present they are perilously narrow.

Development has been given a boost by action at the provincial level. Last year, Huangshan was designated as a "specialised" area for tourism, just as Hui'an is a base for coal or Maanshan for steel. It would be a tragedy if China's present scramble for dollars defaced an area of great natural beauty.

Colina MacDougall

Anhui Textiles

Anhui Branch of China National Textiles I/E Corp is an economic entity enjoying the status of a legal person. We deal mainly in I/E business, exporting currently more than 70 kinds of products in 11 categories including raw materials, fabrics, garments and accessories.

We have established trade relations with 42 countries and regions of the world. Well received by customers, our wide range of quality products enjoy high prestige in the world market.

We have 6 comprehensive departments and 7 business departments for yarns and fabrics, chemical fibre and woolen piece goods, cotton goods, knitwear, garments, raw materials and

development respectively. We adopt flexible ways of doing business: we can manufacture with materials or to samples supplied by clients, we can also accept business in the form of compensation trade, joint venture or co-production.

Anhui has good communication and transportation facilities. From Anhui, freighters sail directly to the world. On time delivery is guaranteed.

We attach primary importance to keeping good faith and providing excellent services to our customers. We wish to further develop our business ties with the world. Please write or telex today for further information.

China National Textiles I/E Corp., Anhui Branch

Imp/Exp Building, Jinzhai Rd., Hefei, Anhui, China

Tel: 60870 Telex: 90015 AHTEX CN Cable: "CHINATEX" Hefei

Anhui Native Produce



Since 1980, Anhui Native Produce Branch of China National Native Produce and Animal By-products I/E Corp has been exporting its products directly to about 30 countries and regions. The main exports include jute and its products, forestal products, feedstuffs, dried fruits, spices, essential oils and potted plants.

Jute and Its Products

Anhui is one of China's major jute growing areas.

Anhui jute is of top quality. Besides raw jute, Anhui also exports such products or semi-products as gunny bags, jute yarn, hemp twine, jute rope, ramie tops and noils.

Botanical Feedstuffs

With her rich natural resources, Anhui exports a wide range of botanical feedstuffs including rapeseed extraction, rapeseed expeller, cottonseed expeller, groundnut expeller, sweet potato slices, wheat bran, grass meal and soyabean cake bits.

Dehydrated Vegetables

Anhui dehydrated vegetables, made with

high-quality fresh vegetables through advanced processes, are very well received in Japan and European countries. Main items are onion slices, red onion slices, garlic flakes, ginger chips, carrot cubes and green beans.

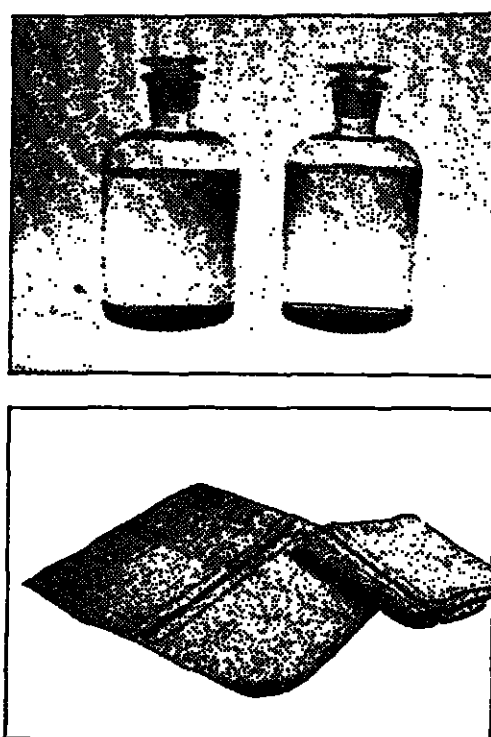
Honey

Anhui has a rich honey resource and is among China's major honey-producing provinces.

Main nectariferous plants include milkvetch, acacia and rape. Honey from these plants are among the best. With its light color and pleasant smell, Anhui honey is particularly well received by consumers in Japan and West Europe.

Peppermint Oil & Menthol Crystals

With a long history in planting, Anhui is one of the main provinces in China which produce crude peppermint oil. In recent years, large quantities of high-grade crude peppermint oil are available for purification. Fine in quality, our "Polar Bear" Brand Menthol Crystals and Peppermint Oil (Dementholized) are in great demand in the world market.



Spearmint Oil

Anhui is one of the major provinces producing spearmint oil. Anhui has introduced improved varieties of spearmint in recent years; the oil produced now is light yellow in color and with a delicate fragrance. With a carvone content higher than 80%, it is widely used in the production of chewing gums, tooth pastes and top class spices.

Litsea Cubeba Oil

Litsea cubeba oil is a traditional export commodity of Anhui. Anhui is rich in Litsea cubeba and has a long production history. The oil is distilled from the seeds of Litsea cubeba. Its citral content is above 75% and has a heavy lemon fragrance. Citral is an important raw material in producing lincane and vitamin A. It is also widely used in pharmaceutical, plastics, synthetic rubber and foodstuff industries.

Citric Acid

Anhui citric acid is made from top quality sweet potato through advanced process. Anhui abounds in sweet potato and has enormous capability in producing citric acid of stable quality.

Anhui citric acid sells well in Europe, Japan, Near- and Middle-East and Southeast Asia. The specifications conform to B.P. 1973. Purity is over 99.5%.

Sponsorship vital for business visitors

AS WITH any business visit to China, plans to make a spontaneous visit or one at short notice, to Anhui are likely to bear little fruit. First priority should be to locate a sponsoring organisation, telling them, in fine detail, about the aim of the visit. This organisation will then provide visa clearance, and prepare a detailed business itinerary.

Over a two-week working visit in Anhui, our journalists found officials unusually flexible and accommodating, but the "gurdah curtains" that can exist between departments can make it important to pick out the right sponsoring organisation at the outset.

If there is any doubt, a sensible first port of call is Anhui's Commission of Foreign Economic Relations and Trade. This Hefei-based body is mirrored by commissions at the municipal level in all of the province's main cities, and you may in due course be passed on to one of these. But it is always better to begin with the more senior provincial officials.

Getting to Anhui

Travel into Hefei, the provincial capital, is either by air from Peking or Shanghai, or by train from the same cities. Flights between Shanghai and Hefei are scheduled to run six days a week, with three every five days linking Hefei with Peking.

From Shanghai, the journey takes just under an hour, while from Peking it takes three hours. While arrival by air is, in theory, the quickest way to reach Hefei, the notorious unreliability of CAAC, China's national airline, makes it well worth considering the train. These are slower but daily (overnight from Peking; and 10 hours via Nanjing from Shanghai), and they leave and arrive on time, providing a much safer way of keeping to a tight travel itinerary.

Weather

In December and January, temperatures dip to -10 degrees centigrade, but at this time of the year there is very little rain. This begins during the more temperate month of April, with the months from May to September being marked by sometimes violent storms and a high average rainfall.

Temperatures during the hot summer months of June and July reach 35 degrees centigrade, subsiding to pleasant, showery weather during October and November. Needless to say, autumn is regarded the nicest time to visit the province.

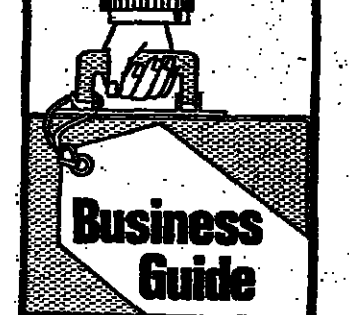
Hotels

Direct booking of hotel accommodation is difficult. Bookings will normally be made by your sponsoring

organisation. The following are the hotels in which you are most likely to stay:

● Hefei: Loyang Fandian—set in picturesque surroundings and until 1979 occupied by top provincial party cadres.

Then there is Daoshanlou Bingshan—less salubrious than the Loyang, but set in the same grounds.



There is also the Jianghua Fandian—situated in the middle of town; used more widely by overseas Chinese businessmen. What does not offer the tranquility of either the Loyang or the Daoshanlou, it is much better placed if you want to wander about town during the evening, or pop out for window shopping.

● Wuhu: Tieshan Fandian (Iron Hill guest house)

● Maanshan: Yushanhu Bingshan

● Anqing: Mashan Fandian

● Tongling: Tianjingshu Bingshan

● Beagbu: Nanshan Bingshan

● Huaihuai: Dongshan Bingshan

● Huaihe: Axiangshan Fandian

Hotels, by and large, offer frugal accommodation. Meals have to be eaten at set times, and are often fixed menu. It is worthwhile checking when hot water will be available, since many hotels supply hot water for just a few hours in the evening, and an hour in the morning. Laundry services, where they exist, are often slow so it is better to bring more clothes than you would in other circumstances need.

Because the Chinese tend to rise early and go to bed early, breakfast will normally be offered at 6.30 am or 7 am, with lunch often before noon, and dinner before 7 pm.

● Arranging Meetings: Your sponsoring organisation can be expected to take care of most meetings, but it is worth bearing in mind that competent interpreters are a rarity in Anhui.

If interpreters are needed, it is worth emphasising the need

for him or her to have a good knowledge of any specialist vocabulary. The "spirit of free enterprise" in Hefei is such that it would be possible to "hire" a local interpreter.

One possible source is "the English corner" at the provincial college where locals gather to practice English conversation. Try contacting Mr. Li Ling, an organiser of the college, at his workplace, the Hefei Forklift Truck Works (Tel: 63133).

Companies may supply interpreters for business meetings, but there are many other contexts in which interpreters are of great help as "fixers"—arranging telephone calls, for example.

Currency

Credit cards are all but unknown in China, and that goes for Anhui, too. It is best either to take travellers' cheques or U.S. dollars. Few hotels can change money, so specific journeys have to be made to Bank of China offices.

Since the Bank of China in provincial cities is rarely more than a trade financing bank, branches are often tucked away and may be unknown to taxi drivers. One's "fixer" can be invaluable tracing the nearest branch. Otherwise, ask for help from the hotel reception, or your sponsoring organisation.

A visit to the bank will normally be a half-hour expedition, and a passport is normally needed. It can be important to keep slips detailing exchange transactions, since customs officials have been known to check these carefully.

● Travel about the province: Anhui roads are rudimentary, and long distance journeys will be taxing.

Cars can be hired, but the local sponsoring organisation will normally arrange them. Catching taxis in Hefei and elsewhere is almost impossible except at the main hotels, so a driver should be kept with you during any extended expedition around the city.

● Telephones and telexes: Telephone calls can be booked with reasonable ease, though many receptionists speak no English. Domestic calls (which include calls to Hong Kong) are usually speedy, but long delays can occur on international calls.

● Where to get more information: further details on Anhui's industrial sector and, in particular, the companies available by using the special coupon in today's issue of the Financial Times or by writing to Simon Tamms, Financial Times, Bracken House, 10 Cannon Street, London, EC6A 3BY, who will forward the inquiries.

David Dodwell

APPOINTMENTS

New Frizzell company

The Frizzell Group has formed a new company called FRIZZELL JONES to handle shipbroking and chartering. The director is a development from the activities of Frizzell Bolton Hicks and the two companies will work closely together. Managing director of the joint venture company is Mr. Michael Jones. In recent years he has been a partner in Seascope, and previously was a director of the joint venture company in Mr. Michael Jones. Mr. Colin Frizzell (chairman), Mr. Roland Sperry-Jones, Mr. Don Cripps and Mr. Michael Raven.

The importer of Audi and Volkswagen cars has named Mr. Peter Cover as sales and marketing director in Britain. He joins the board of V.A.G. (UNITED KINGDOM). Currently sales manager, he has worked for Volkswagen since 1987 when he joined the company as a sales manager. Mr. Cover replaces Mr. Brian Bowler, who is leaving the company to become managing director of the Doyle Dane Bernbach agency, responsible for Audi and Volkswagen advertising in North America.

Mr. John L. Crockett will be retiring from the chairmanship of JOHNSON GROUP CLEANERS and from the board at the end of June. He will remain chairman of Johnson Group Inc., the group's subsidiary in the U.S. Mr. Philip Bolam, at present group managing director, will succeed Mr. Crockett as chairman. Mr. Terry M. Greer, at present deputy group managing director, will succeed Mr. Bolam as group managing director.

The Trade Secretary has appointed Mr. Christopher Sharp, managing director of the Northern Rock Building Society, Newcastle upon Tyne, to be a member of the organising committee of the MARKETING OF INVESTMENTS BOARD.

GRAYSTON WHITE, a subsidiary of BET Plant Services, has appointed as directors Mr. Murray C. Padkin, previously a director of Grayston Plant, and Mr. John M. Powell, with the group since the acquisition of Cheltenham Crane Hire in 1973; and Mr. Mike Watson, general manager and a director of Bowen & Kirkland (Plant), prior to the formation of Grayston White.

H. YOUNG HOLDINGS has appointed Mr. John Wyndham Lewis to its board. He is managing director of Luc Lacerte at Pile, a company in which Young recently acquired a majority interest.

NATIONAL COMMERCIAL BANK OF SAUDI ARABIA has appointed Mr. Rodney G. Bath as assistant representative in the London office. He succeeds Mr. Patrick J. Bradley, who will be returning to the head office in

Jeddah to take up responsibilities in the corporate banking group.

KIRK HOLDINGS, parent company of B. Kirk (Construction), of Skipton, has appointed Mr. Gordon Hedley to the main board. He joined Kirk Construction as managing director in 1984.

Mr. Hamish Grossart has been appointed a non-executive director of RADIO CITY.

At RAGGERIDGE BRICK Mr. J. G. Turley has retired as managing director but is remaining on the board. He is succeeded as managing director by Mr. A. M. Baxter who joined the board on October 1, 1984. Another member of the board, Mr. J. Passy, has also retired, and will remain on the board as a consultant.

BIOMECHANICS INTERNATIONAL has appointed Mr. Bernard Wheeler as a director. He was a partner at Touche Ross & Co.

Mr. Graeme S. Pentecost, regional manager (UK and Europe) of the BANK OF NEW ZEALAND in London, will be returning to the bank's head office, Wellington, in June to become chief manager, New Zealand branch banking. His successor will be Mr. John C. Hildesley, at present a chief manager in the bank's corporate and international division, head office.

ALIDA PACKAGING GROUP has appointed Mr. Peter Freeman as sales and marketing director, in addition to his present post as sales director of Britannia Packaging, one of the two main operating subsidiaries of the group.

TRAVERS MORGAN INTERNATIONAL has appointed Mr. Piers Brogan as managing director of the group practice in Australia.

FRIENDS PROVIDENT LIFE OFFICE has elected Mr. Michael C. D. Meehan as a director. He is the chairman of the Canadian subsidiaries, Fidelity Life Assurance Company and Sea-board Life Insurance Company.

The KENT CHEMICAL COMPANY, a member of the Phenox Group, has appointed Mr. Jim Hill as marketing director. He was managing director of group subsidiary, GS Chemicals, which is to amalgamate with Kent Chemical.

Mr. R. H. (Dick) Stothert has been appointed deputy chairman and Mr. Alan A. Buby technical director of soft drink manufacturer A. G. BARR.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Current
National Home, Garden and Leisure Show — LIFESTYLE (01-222 9341) (until May 27) N.E.C., Birmingham
May 21-22 Heating, Ventilation and Air Conditioning Exhibition (021-705 8707) Olympia
May 21-24 Chelsea Flower Show (01-534 4333) Royal Hospital
May 24-June 5 Fine Art and Antiques Fair (01-385 1200) Olympia
June 3-6 International Freight Industry Conference and Exhibition—WORLDFREIGHT (01-442 7688) Met. Exhibition Hall, Brighton
June 4-6 Business Computer Show (01-643 8040) Earls Court
June 11-15 Mexican Exhibition and Conference (01-600 0680) Novotel, W8
June 4-6 Software Show (01-643 8040) Earls Court
June 5-9 Bristol Boat Show (0272 295521) Bristol Exhibition Centre

OVERSEAS TRADE FAIRS

May 21-22 Electronic Components and Equipment Exhibition—CEX (01-591 5051) Hong Kong
May 27-31 Textile Industry Fair—FENIT (01-458 8686) Sao Paulo
May 28-31 Asian Water Technology Exhibition and Conference—AQUATECH ASIA (01-497 8404) Singapore
May 31-June 9 International Air Show (01-439 3864) Paris

BUSINESS CONFERENCES

May 21-24 BIR: Reclamation and recycling—the world's most important exchange of secondary raw material (Brussels 02 2172251) Paris
May 22 Institute of Directors: Pensions—an examination of current practice, potential developments and business and personal use (Saddlesworth 6942) Pall Mall, SW1
May 23 Seminars for Secretaries: One-day training seminar (01-736 0134) Cafe Royal, W1
May 29-31 Datagroup European Semiconductor Industry Conference—"Winds of Change" (01-363 8807) Hilton Hotel, Vienna
May 29-31 Asia/Pacific Duty-Free Conference (0737 68611) Hyatt Central Plaza Hotel, Bangkok
June 4-6 FT Conference: Foreign exchange risk in 1985 (01-621 1355) Hotel Inter Continental, W1
June 10-11 FT Conference: The Sixth Paper and Pulp Conference (01-621 1355) Hotel Inter Continental, W1
June 11-12 EDANA: Italian nonwovens symposium (Brussels 02 734 1110) Milan
June 11-12 FT Conference: World Gold in 1985 (01-621 1355) Lugano
June 12 Oyster: Supply, use and carriage of goods—the implications of the new dangerous substances regulations (01-286 4080) London
June 13 FT Conference: Oil industry developments (01-621 1355) London
June 14 Management Forum: The future of the pharmaceutical market in Great Britain (0483 570089) Cafe Royal, W1
June 18 B. J. O'Connor International: Japanese materials management (0832 51334) Holiday Inn, Heathrow
June 18-19 FT Conference: World Electronics—Global Market Approach (01-621 1355) Hotel Inter Continental, W1
June 19-20 Offshore Conferences and Exhibition: Offshore tubular joints 1985 (01-549 5831) Heathrow Pentel Hotel
June 19 Business Research International: Interest rate options (01-637 4383) Park Lane Hotel, W1
June 24-25 CommEd: Telecommunications—the European Future (01-733 3456) Dorchester Hotel, W1
June 26 Finance and Business Exhibition: Strategies for innovation (01-493 0000) Tara Hotel, W8
July 2 Royal Institute of International Affairs: European Initiatives in Information Technology (01-490 2253) Chatham House
July 3 London Chamber of Commerce and Industry: "Venezuela—an oil economy. Prospects for British suppliers" (01-348 4444) 68 Cannon Street, EC4
July 9-10 FT Conference: Oil industry developments (01-621 1355) London

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

WILH. SONESSON AB

ANNUAL GENERAL MEETING

The Annual General Meeting of shareholders will be held on Wednesday 12 June at 5pm at the Malmö Masscentrum (Exhibition Centre), Stadiogatan 25, Malmö, Sweden.

Matters to be considered are those prescribed in the articles of association and in the Swedish Companies Act. Shareholders who wish to attend the meeting must be entered by name in the Register of Shareholders maintained by Värdepapperscentralen VPC AB no later than 2pm Friday 31 May and must have notified the Company of their intention to attend by communication with the head office of the Group, Adelgatan 5, Box 317, S-201 23 Malmö, tel 46-(0)40-73880, extension 146, no later than 12 noon on Friday 7 June 1985.

Shareholders who have their shares registered in the name of a trustee or nominee must re-register them temporarily in their own names with Värdepapperscentralen VPC AB, Box 7444, S-103 91 Stockholm, Sweden, no later than Friday 31 May 1985, in order to be eligible to attend the Annual General Meeting.

Please note that notice of intention to attend the Annual General Meeting must be made separately to the head office of the Group in the manner described above.

The Board and the Managing Director recommend that the dividend for the year 1984 be 3.50 SEK per share. The dividend will be paid to shareholders whose names appear in the share register on the record date, which the Board of Directors propose should be 17 June 1985. Dividend payments are expected to be remitted by Värdepapperscentralen VPC AB on 25 June 1985.

Malmö, 20 May 1985

THE BOARD OF DIRECTORS

\$250,000,000

J.P. Morgan International Finance NV

Guaranteed Floating Rate
Subordinated Notes Due 1997

For the three months 20 May, 1985 to 20 August, 1985
the Notes will carry an interest rate of 8 1/2 per cent. per annum.

Interest payable on the relevant interest payment date,
20 August, 1985 against Coupon No. 13 will be U.S.\$217.22.

By: CITIBANK N.A., London
Agent Bank

AUTHORISED
UNIT TRUSTS

Albion Unit Trst. Mgmts. (a) 1-3 St Paul's Churchyard, EC4P 4DZ Unit Price £1.00 Assets Under Management £10.0m Units in Issue 10.0m Dividend Yield 5.0% Manager: Albion Unit Trst. Mgmts. (a)	Albion Unit Trst. Mgmts. (a) Unit Price £1.00 Assets Under Management £10.0m Units in Issue 10.0m Dividend Yield 5.0% Manager: Albion Unit Trst. Mgmts. (a)	Albion Unit Trst. Mgmts. (a) Unit Price £1.00 Assets Under Management £10.0m Units in Issue 10.0m Dividend Yield 5.0% Manager: Albion Unit Trst. Mgmts. (a)	Albion Unit Trst. Mgmts. (a) Unit Price £1.00 Assets Under Management £10.0m Units in Issue 10.0m Dividend Yield 5.0% Manager: Albion Unit Trst. Mgmts. (a)	Albion Unit Trst. Mgmts. (a) Unit Price £1.00 Assets Under Management £10.0m Units in Issue 10.0m Dividend Yield 5.0% Manager: Albion Unit Trst. Mgmts. (a)	Albion Unit Trst. Mgmts. (a) Unit Price £1.00 Assets Under Management £10.0m Units in Issue 10.0m Dividend Yield 5.0% Manager: Albion Unit Trst. Mgmts. (a)	Albion Unit Trst. Mgmts. (a) Unit Price £1.00 Assets Under Management £10.0m Units in Issue 10.0m Dividend Yield 5.0% Manager: Albion Unit Trst. Mgmts. (a)	Albion Unit Trst. Mgmts. (a) Unit Price £1.00 Assets Under Management £10.0m Units in Issue 10.0m Dividend Yield 5.0% Manager: Albion Unit Trst. Mgmts. (a)	Albion Unit Trst. Mgmts. (a) Unit Price £1.00 Assets Under Management £10.0m Units in Issue 10.0m Dividend Yield 5.0% Manager: Albion Unit Trst. Mgmts. (a)	Albion Unit Trst. Mgmts. (a) Unit Price £1.00 Assets Under Management £10.0m Units in Issue 10.0m Dividend Yield 5.0% Manager: Albion Unit Trst. Mgmts. (a)
---	---	---	---	---	---	---	---	---	---

حِكْمًا عَنِ الْأَرْضِ

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Problems surround the dollar

BY COLIN MILLHAM

The dollar is around the mid point in its movements against the D-mark over the last year or so. At the beginning of April last year it was around DM 2.60. Just under 11 months later the dollar hit DM 3.4510 but only two months later was back to DM 2.9730. Earlier this month the U.S. currency showed signs of another strong surge, and threatened DM 3.20, only to slide back again.

Although the dollar's rise last year, and at the beginning of this seemed relentless, there were in fact quite long periods of retrenchment. The fall from February's peak has been much steeper than the earlier rise, and although the currency has shown resistance recently above the DM 3.00 level this may simply be the reversal of last year's process.

Admittedly the central banks, and particularly the German Bundesbank were instrumental in the set back to the dollar in October, but the general trend was still for a sharp rise to be followed by weeks of consolidation, where profits were taken, before new positions were taken out.

The dollar's strength was the result of strong economic growth and high interest rates, but the picture has now become much more confused. Growth in the first quarter of this year was disappointing, and although a rebound has been anticipated in the current quarter, last week's figures were not encouraging. A rise of 0.9 per cent in April retail sales was below most forecasts and the fall of 0.2 per cent in industrial production indicated that what-

ever growth there is in the economy is not being fed by U.S. industry.

Lower interest rates should help sections of the economy, such as agriculture, suffering from the high cost of borrowing, and revive some lost confidence in the condition of the banking system.

A cut of half a point to 10 per cent in Bankers Trust's prime rate earlier in the week had little impact, but was followed by similar moves from Citibank and Chase Manhattan on Friday after the Federal Reserve trimmed its discount rate by half a point to 7½ per cent.

STERLING INDEX

	May 17	Previous
3.30 am	78.9	78.9
9.00 am	78.9	78.9
10.00 am	79.0	78.9
11.00 am	79.2	78.8
1.00 pm	79.1	78.8
2.00 pm	79.4	78.7
3.00 pm	79.1	78.9
4.00 pm	79.0	78.9

£ IN NEW YORK

	May 17	Prev. close
£ 100	127.00	127.00
1 month	127.10	127.10
3 months	127.10	127.10
6 months	127.10	127.10
12 months	127.10	127.10

Forward premiums and discounts apply to the U.S. dollar

FORWARD RATES AGAINST STERLING

	Spot	1-month	3-month	6-month	12-month
Dollar	1.2600	1.2602	1.2610	1.2614	1.2620
D-Mark	3.2825	3.2825	3.2825	3.2825	3.2825
French Franc	11.8775	11.8775	11.8775	11.8775	11.8775
Swiss Franc	2.2700	2.2700	2.2700	2.2700	2.2700
Japanese Yen	371.0	371.0	371.0	371.0	371.0

BANK OF ENGLAND TREASURY BILL TENDER

	May 17	May 10	May 17	May 10
Bills on offer	£100m	£100m	Top Accepted	12.0128%
Total applications	£497.00m	£456.00m	Average	11.9989%
Minimum accepted bid	£97.00m	£97.00m	Average yield	12.37%
Minimum level	10%	40%	Amount on offer	£100m

DOLLAR SPOT-FORWARD AGAINST DOLLAR

	May 17	Day's spread	Close	One month	% Three months	% Six months	% One year
UK	1.2490-1.2495	1.2490-1.2495	0.50-0.47c	4.80	1.27-1.32m	4.25	
Ireland	1.0035-1.0035	1.0035-1.0035	0.38-0.38c	3.80	1.15-0.80m	3.80	
Canada	1.3895-1.3895	1.3895-1.3895	0.16-0.16c	1.60	1.48-0.50m	1.40	
Netherlands	3.4700-3.4700	3.4700-3.4700	0.29-0.27c	2.90	1.04-0.91m	1.10	
Belgium	32.50-32.50	32.50-32.50	0.70-0.70c	7.00	1.15-0.70m	1.00	
Denmark	11.05-11.05	11.05-11.05	0.10-0.10c	1.00	1.00-0.10m	1.00	
W. Ger.	3.0080-3.0080	3.0080-3.0080	0.70-0.65c	6.70	1.00-0.65m	2.67	
Portugal	175-175	175-175	150-150c	15.00	1.00-1.00m	1.10	
Spain	160-160	160-160	150-150c	15.00	1.00-1.00m	1.10	
Italy	1.9825-1.9825	1.9825-1.9825	0.60-0.55c	5.60	1.00-0.55m	5.07	
France	6.55-6.55	6.55-6.55	1.55-1.55c	15.50	1.00-1.55m	1.30	
Sweden	8.90-8.90	8.90-8.90	0.80-0.80c	8.00	1.00-0.80m	1.30	
Switzerland	2.16-2.16	2.16-2.16	0.70-0.70c	7.00	1.00-0.70m	1.40	
Austria	2.5800-2.5800	2.5800-2.5800	0.70-0.70c	7.00	1.00-0.70m	1.40	
Yen	340-340	340-340	300-300c	30.00	1.00-3.00m	3.10	

UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

Belgian rate is for convertible francs. Financial franc 62.10-62.20.

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

Yen 100 = 360.94

FINANCIAL FUTURES

LONDON

LONDON					U.S. TREASURY BONDS				
THREE-MONTH EURODOLLAR					8% \$100,000 32nds of 100%				
31m points of 100%						Close	High	Low	Prev
June	91.64	91.66	91.60	91.70	Sept	72.25	72.25	72.25	74.00
Sept	91.60	91.62	91.57	91.70	June	72.25	72.25	72.25	74.00
Dec	90.59	90.61	90.51	91.10	Est. volume 1,505 (2,540)				
March	90.28	90.28	90.24	90.29	Previous day's open int. 4,774 (3,035)				
June	89.98	90.00	90.00	90.20	CHICAGO				

FINANCIAL TIMES SURVEY

TURKEY

Under Mr. Turgut Ozal's leadership, Turkey is pressing ahead with bold economic and legal reforms. At the same time the transition to full democracy is proceeding steadily. But the country also has pressing social and economic problems which make the need for change urgent.

Vital need for reforms

By David Barchard
Ankara Correspondent

TURKEY, as it looks towards the rest of the 1980s and beyond, seems better placed today than for half a century to translate into reality Ataturk's goal of catching up with Western Europe and the modern world. Yet, underlying the sense of dynamism animating the country there remains a certain fragility. The process of economic and political convalescence from the convulsions of the 1970s is not yet fully over, and it may be several more years before full normality is restored.

National life is still dominated by the energetic and ambitious reform plans of the Prime Minister, Mr. Turgut Ozal. "Turkey lagged behind, unnecessarily, in administration, legislation and all the organisational aspects of becoming a modern society and an industrial nation," says one of Ankara's leading businessmen.

"Now the Prime Minister is trying to cram legislation and reorganisation which would normally take decades into months and years. It's a race against time. Sometime or later, the Prime Minister will be or another government will come to power. It's vital for the

country that he should go as far as he can in the process of updating our institutions while he has time."

It is probably because, whatever their political opinions, most Turks agree with this viewpoint to some extent, that Mr. Ozal faces relatively little active opposition on most issues. Very few areas of national life will be left unaffected by his changes.

Industry is being prodded into export-directed activities, with new emphasis on quality control and cost efficiency. Turkish consumers can, at a price, buy imported goods which were long unavailable. By the end of the decade, most imports into Turkey will not be subject to prior permission, while exporters will have learned to live without subsidies.

Farmers—who still make up nearly half the working population—are being encouraged to take up new crops and methods. Decades of feather-bedding have ended and for the first time, producers face direct competition with limited food imports.

Efforts are underway to privatise many of the unwieldy, and usually unprofitable, State Economic Enterprises (SEEs) which have been a drain on the Treasury and a brake on the country's industrial progress. The banking system and money markets are being gradually

restructured and the development of a secondary money market is being contemplated. In addition to all these changes, the Government is also trying to press ahead with major infrastructural projects such as the giant Ataturk Dam on the Euphrates, the second Bosphorus Bridge, a metro and tunnel system for Istanbul, modernisation of the highways and railway system, and above all spending on telecommunications and energy.

More self-confidence

It is not simply ambition to catch up with Turkey's allies in Nato or the European Communities which spurs these changes. To some extent the country is racing against time. If it wins, then it will emerge early in the next century as a strong industrial and urban power. If it loses, it may face intractable social and political problems.

There are both optimists and pessimists among the Turkish people about the country's future—but despite all the problems of the last 15 years, the degree of self-confidence seems to be growing, as Turks find they can tackle successfully previously unfamiliar activities such as electronics, overseas contracting, engineering, and exporting.

But the risks are serious ones. Turkey's statistical profile is

that of a young society in a state of flux. Population growth may be slowing down, but at around 2.3 per cent annually it has social and political consequences which are hard to handle. Nearly half a million young Turks are added to the labour market every year. Unemployment is believed to be around one in five on average. In some regions, notably in the east of the country, the percentage is very much higher.

The birth rate creates severe imbalances in rural society and has led to a flight from the village to the big cities which creates further problems. Over the last few decades, cities such as Istanbul and Ankara have seen their populations growing by an average of 6 or 7 per cent a year—a figure which would be hard for any administration in the world to cope with.

Unemployment, rising expectations, severe inequality between income groups and between regions, cultural tensions between the generations—nearly 60 per cent of Turks are under 20 years of age and there are marked differences in attitudes between young urban Turks and their more rural parents—it all adds up to an explosive mixture which in part explains why during the late 1970s the country's social and political order came near to breakdown.

Rapid progress towards indus-

trialisation has long been diagnosed by almost all Turks as the only viable option for the country. In the 1930s, when Mr. Ozal was edged from office and replaced by a critic in 1982-83 at the economic helm, Turkey's economic recovery quickly started to show signs of wilting.

After 1983 high growth rates were again achieved, this time by the private sector, by new industries oriented towards the lively and rapidly expanding domestic market. The policies brought immediate gains for many Turks—but led eventually into a cul de sac. The necessary imports of raw materials and capital equipment could only be sustained up to a certain point by Turkey's earnings from agricultural exports (in those days about two-thirds of its total exports).

Since 1980, the country's industries have been forced—painfully for some—to turn to export markets. Turkey's balance of payments problems, while still needing attention, have become manageable. Industrial exports on a highly diversified base now make up two-thirds of the total. In half a decade there has been a switch from autarky and isolationism to a gradual transformation into a "merchant state" determined to earn its way in the world.

The political and economic case of this transformation are

high but they are proportionate to the likely benefits. No plausible alternatives have so far been suggested—and when Mr. Ozal was edged from office and replaced by a critic in 1982-83 at the economic helm, Turkey's economic recovery quickly started to show signs of wilting.

Transformation

The costs and the risks affect four social groups: the large holding companies which grew up under the import-substitution policies of the 1960s and 1970s. Most seem broadly to accept, at an intellectual level, the need for what Mr. Ozal is doing. Accepting it at a business and political level is much harder if you are unable to make new investments and some of your subsidiaries are surviving only on the tolerance of banks who have been prepared not to foreclose on outstanding loans compounding at between 60 and 80 per cent annually.

From time to time, therefore, breezes of criticism have drifted from parts of the business world. Pressure would probably have been much stronger if Mr. Ozal had not established such a strong political base after the elections of 1983 and 1984.

The bureaucracy and other fixed income groups have also little to thank Mr. Ozal for. Pay scales have been held down and

living standards eroded. Many civil servants have an elitist outlook and are mildly shocked by Mr. Ozal's proposals to limit the extent of government control and to sell off SEEs. The criticism would be serious here if it affected members of the officer corps as well. So far, the signs seem to be that it does not. But Turkey's civil service is traditionally an enormously influential interest group able to drag its heels if it wishes.

Pressure from the other two social groups—organised labour and the intelligentsia and students—has to a considerable extent been contained by the provisions of the 1982 constitution, and the legislation which followed it. Political activity, writing, unionism, the press, and academic life are all at present more closely supervised than was the case in Turkey a decade ago. Even when—probably in another year or two—martial law is finally lifted in the country's three major cities of Ankara, Istanbul and Izmir, the new legislation will remain.

Turkey's military as well as Mr. Ozal regard it as necessary to prevent a return to social and economic chaos. They strongly resent Western and European criticism on these points, regarding it both as interference in the country's internal affairs

CONTINUED ON PAGE 16



President Evren (left, in the centre picture) is the guardian of the 1982 Constitution which aims to provide stability as the country moves rapidly away from its traditional village life and becomes a modern urban and industrial society (symbolised by the headquarters of the Türkiye İş Bankası in Ankara (top, right))

CONTENTS

POLITICS	
Mid-term elections	2
The Ozal style	2
Role of the military	3
Broadcasting and the Press	3
Profile: Erdal İnönü	3
FOREIGN POLICY	
Relations with U.S.	4
Relations with EEC	4
Greece and Cyprus	5
ECONOMY	
Overview	5
Foreign Trade and Payments	6
Privatisation	6
Foreign investment	7
FINANCE	
Banking	8
Capital markets/Leasing ..	8
INDUSTRY	
Construction and shipbuilding	9
Shipping	9
Energy	10
Labour relations	11
Motor industry	11
Profile: Turkish Airlines ..	11
Agriculture	12
SOCIETY	
Writers today	13
Language	13
Women	13
University reform	14
Tourism	15
Businessman's Guide	16

Trade Financing: It takes a lot more than just finance

Foreign trade financing in a country where foreign trade is growing at a rapid pace demands a lot more than the organization and management of conventional finance.

Iktisat Bankası meets the demands of this growth, being equipped with the most

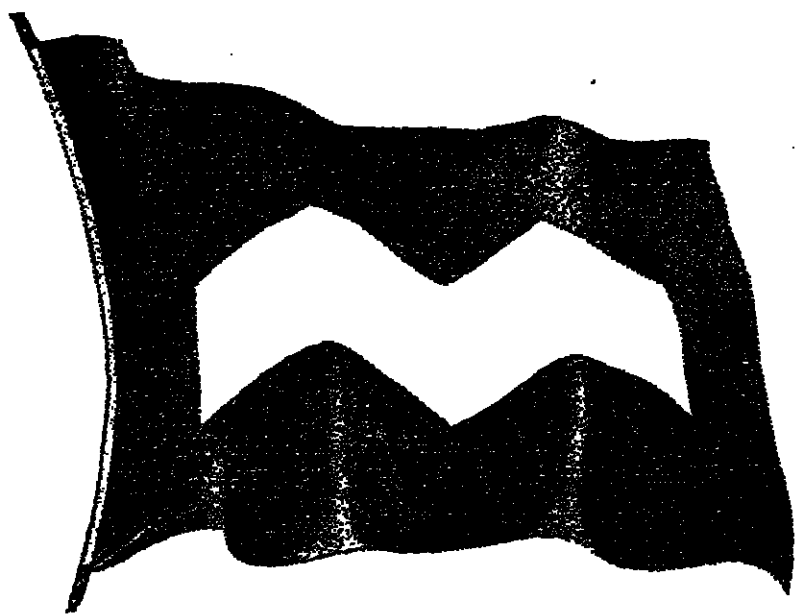
important asset in modern international banking: Competent, experienced and imaginative people; people with a unique way of finding out new alternatives and working out desired results.

This is why we are the most rapidly developing Turkish bank in trade financing.

IKTISAT BANKASI
"We Finance Trade"

Iktisat Bankası Türk A.Ş. Head Office & Main Branch Büyükdere Caddesi 165 Esentepe İstanbul, Turkey, Phone: 172 7000, Telex: 26021 İktisat - Other branches in Ankara, İzmir, Bursa, Adana, Mersin, Gaziantep and Denizli.

Under the Martı Flag



THE MARTI GROUP OF COMPANIES

Martı proudly announces, after five years of continuous expansion, the launching of a new generation of 8 Martı companies - The Martı Group - with Martı Shipping and Trading Co. Inc., as the parent company,

- Martı Shipping and Trading Co. Inc. (Contracting/Project Handling)
- Martı Chartering Co. Inc. (Chartering/Shipmanagement)
- Martı International Transport Co. Inc. (Trailer and truck fleet owners/Forwarders)
- Martı Ship Management Co. Inc. (Shipowning/Management)
- Martı Ship Agency Ltd. (Agency Services)
- Martı International Aps Copenhagen (Chartering)
- Martı Shipping NV Antwerp (Chartering/Forwarding/Agency services.)
- Martı Agency Ltd. Tehran (Forwarding)

Each of these companies is a leader in its own field, sharing in the Martı tradition of giving first-class service by sea and land, all over the world, using the most up-to-date means.



Head Office: Mecidiyeköy Cad. 323, Örya Han, Kat: 6-7, Şişli-İstanbul/Turkey
Tel: (1) 143 29 60 (5 lines), 143 81 96, 143 26 72, 143 26 21
Tlx: 22426 mrt tr, 23652 mshp tr, 24835 mcha tr, 24854 mdta tr, 24836 egr tr
Telefax: (1) 143 25 67

Copenhagen: Tel: (1) 13 22 11 Tlx: 16903 Martı dk
Antwerp: Tel: (3) 216 28 56 (4 lines) Tlx: 35208 35383
Tehran: Tlx: 215562 kyan tr

Branch Offices in Turkey:
Izmir: Tel: (31) 14 50 84, 14 60 84 Tlx: 52889
Ankara: Tel: (31) 31 44 16, 31 53 44 Telefax: (41) 314416
Ankara: Tel: (311) 12 444, 17 944 Tlx: 56247
Mersin: Tel: (741) 17 485, 19 551 Tlx: 67348
İskenderun: Tel: (881) 19 301, 19 102 Tlx: 68115 ptt-273
Traşoz: Tel: (331) 19 711, 19 712 Telefax: (331) 19712

The driving force in shipbuilding:



sedef shipbuilding industry inc.

HEAD OFFICE: Tophaneliöğü Cad. No. 19, Altınizade - Çamlıca - İSTANBUL/TURKEY
PHONE: (90-1) 339 43 00 (20 lines). TELEX: 22493 SDEF TR - 22403 SIFA TR - 22415 CIVA TR

Our Company is a member of the Sezar Türkçe Feysal Akkaya Group

TURKEY 2



ALTHOUGH Mr Ozal still dominates the political scene 18 months after Turkey's first general elections since the 1980 military revolution, rivals are emerging. Their challenge outside Parliament is also likely to prove a threat to his economic reforms. Meanwhile, the military continue to exert a powerful behind-the-scenes influence as the guardian of the new constitution.



Turkey's new single chamber National Assembly has been placed since the 1983 elections but the parties outside it are now gearing up for the chance to win seats in it next year.

The start of the big sort-out

The mid term elections

DAVID BARCHARD

JUNE 1986, is a date which Turkish politicians are beginning to note down in their diaries. That is the month when the electors will be given a partial chance to express their views on the major political parties in elections to empty seats in Parliament.

It looks like being a complicated race with more at stake than simply a test of Mr Turgut Ozal's popularity. Turkey's present political parties are all fledglings. They were set up in 1983 when the military lifted a ban on politics, imposed in 1981 when all the pre-coup parties (most of them with traditions going back decades) were shut down. The old parties were considered expected to re-emerge under new labels.

In due course they did. However, in the meantime, the military had encouraged the formation of two parties, one right-wing and one left-wing, and only allowed these and Mr Ozal's Motherland Party to contest the 1983 General Elections.

As is generally known, Mr Ozal triumphed in 1983, went on to free local elections to keep his first place against a challenge from the parties

excluded from the general elections.

This has produced a curious, if temporary, six-party system which may be sorted out in the June 1986 by-elections and the 1988 General Election.

It also means that until then, the second and third largest parties in the country, are not represented in parliament, have limited official recognition (though they do get some state aid), and are seldom allowed broadcasting time—even though two parties which seem doomed to extinction in 1988 enjoy all these things.

One of the key questions of Turkish politics is whether the left or the right is the more split. Both offer the voter a choice of three.

On the right, with the ineffectual Nationalist Democracy Party, expected to disappear, the basic battle is between Mr Ozal's Motherland Party and the True Path Party, set up by supporters of the ousted premier of 1980, Mr Süleyman Demirel. That battle is complicated by subdivisions in each party.

For the present however, the advantage clearly rests with Mr Ozal's Motherland Party. It not only enjoys the fruits of office. It is also untroubled by the bad record of the politicians of the pre-coup period. But it is a very new growth and was forged out of very divergent right-wing elements by Mr Ozal in 1983.

It looks, however, following a triumph for the Prime Minister at the party congress

in April—as if its unity is guaranteed for the time being. Its fortunes will probably rise or fall with the outcome of the Prime Minister's economic policies.

The Prime Minister's main rival, Mr Süleyman Demirel, is banned from politics for 10 years. His chance will come if the electorate were to hanker for a return to the status ante-Ozal. The True Path Party got only 13 per cent of the votes in the 1983 local elections. It has since been agitated by a bid for its leadership by Mr Mehmet Yazar, the former head of Turkey's Union of Chambers of Industry and Commerce.

A similar rivalry may clip the wings of the Social Democracy Party, the country's second largest. Its leader, Mr Erdal İnönü stepped reluctantly into the breach in 1983 and his party, Sodep, has become the main inheritor of the 30 to 40 per cent of Turkish votes which used to go to the centre-left Republican Peoples Party.

But in August this year, another left-wing party, tacitly backed by Mr Bulent Ecevit the Social Democrat former Prime Minister, will be set up.

It is unlikely to get as many votes as Sodep—but it will probably keep Sodep from making a breakthrough. Rank and file members of the new party privately admit that it will probably take more than two elections before all the votes on the left are back under one umbrella.

This news will probably not be altogether unwelcome to those international bankers and businessmen who worry that anyone but Mr Ozal in power would probably put a halt to his economic reforms.

However, among politicians, sights are already being set on some sort of coalition deal in 1988 or earlier if Mr Ozal were to bring the election date forward. Mr Ozal, confident as always, maintains that he will win an outright majority. But if he doesn't, then his Motherland Party may have to go into coalition, most probably with the True Path Party.

There have already been hints from the Ozal camp that if Mr Demirel were to "transform himself into a nationally accepted figure," he might find it possible not only to get the ban on his political activities lifted—but even to stand as a candidate for the most glittering prize of all, the Presidency itself when President Evren steps down in 1989.

Others however point out that if he still wants the job, President Evren may be technically eligible to stand for a second term that year. In the short term, Turkey's political life seems rather staid with a novice parliament and an ineffectual opposition. But at constituency level, all the major contenders are putting in efforts to build up their parties, aware that the present beleaguered state of Turkish politics is not going to last for ever.

A trouble-shooting team leader

The Ozal style

DAVID BARCHARD

WHEN Mr Ozal took over as Prime Minister in December 1983, he brought with him a distinctive style of administration. The cabinet was reshaped with eight ministers of state, attached directly to the Prime Minister's office, directly supervising problem areas.

Responsibility for the economy was divided between the powerful Undersecretariat of the Treasury and Foreign Trade (a new creation) and the State Planning Organisation, with the deputy prime minister, Mr Kaya Erdem, one of Mr Ozal's most loyal and trusted lieutenants, acting as a kind of general co-ordinator.

Other names stood out. Mr Adnan Kahveci, believed to have been vetoed for a ministerial job, was given the title of Chief Adviser to the Prime Minister. The government spokesman, Mr Mesut Yilmaz, occupied a prominence which had not been enjoyed by most of his predecessors.

In the Motherland Party, Mr Halil Sivgin—identified by his critics in the Turkish press with the far right wing of the party—occupied the limelight.

Finally, in April, 1984, the prime minister's youngest brother, Dr Yusuf Bozkurt Ozal, was brought home from Washington where he had been working with the IFC, and made head of the state planning organisation.

Behind these changes, there seemed to be an effort to re-structure Turkey's creaky bureaucracy in a way which would enable Mr Ozal's men to bring as much direct pressure as possible to bear on particular problems. This impression was heightened in May 1984, when a vast series of administrative shake-ups placed most of the state sector under the particular responsibility of various individual ministers of state.

In most sectors of course, it will take time before Mr Ozal's administrative shake-down can be properly assessed. There have been some complaints that authority is now too fragmented. "You have the steel sector divided between the Ministry of Industry which handles some plants, says an Istanbul businessman, "and the private sector where there is no sectoral control and the Minister of State handling some other plants. An overall approach for the parties and



Prime Minister Ozal, leader of the Motherland Party after victory in the general elections two years ago; after last year's administrative shake-ups there is plenty to wave about.

more co-ordination is really what is needed."

"Plus ça change, plus c'est la même chose," says another Ankara businessman airily. The system of ministers of state produced one trip-wire in January this year, when Mr Ismail Özdoglar, who had been a trouble-shooter in the energy sector, was forced to resign after being accused of demanding bribes from a Turkish shipping magnate.

Mr Özdoglar's case is currently being investigated by a parliamentary committee and he is likely to be tried by the Supreme Court later this year. The case sparked off public criticism against Mr Ozal's chief adviser to take-record his conversations with Mr Özdoglar.

Mr Özdoglar's resignation followed that of the Finance and Customs Minister, Mr Vural Arıkan, some months earlier. There has been talk of other cabinet changes including possibly that of foreign minister. To some, this reflects the fact that in 1983 the Prime Minister had to pick a relatively inexperienced team. To others, political factors are the key.

These certainly played a part in the dropping of Mr Halil Sivgin as deputy chairman of the Motherland Party in April at the Party Congress. Mr Ozal's overriding concern is to hold the party together—and Mr Sivgin had appeared to be building up his own power-base.

Among the new faces at the top of the party is that of Mr Bulent Akarcalı, a western-

educated journalist who is fluent in English and French and now handles the party's external relations. His promotion to the party's executive committee was seen as a sign that Mr Ozal was deliberately encouraging the political centre to assume more prominence.

The same lesson is generally drawn from the rise of Mr Mesut Yilmaz. Sometimes tipped as the next Foreign Minister, Mr Yilmaz is still only 36 but figures in the cabinet. There are even those who see him as a possible successor to Mr Ozal, though his role so far appears to be more that of a trusted staff officer.

Other key figures in the administration are Mr Ekrem Fakdemirli at the Undersecretariat of the Treasury and Foreign Trade and Mr Yusuf Bozkurt Ozal. Mr Ozal has quickly grown into his new office and though the Ozal Government is sometimes criticised for relying on relatives of

the Prime Minister, Mr Yusuf Bozkurt Ozal is not among the names criticised. "A very sharp negotiating mind," says one head of a foreign company who has done business with him.

Mr Fakdemirli—an indefatigable negotiator—now seems a much more established figure than he did a year ago. His Undersecretariat—whose powers replaced those of the formerly influential but very conservative finance ministry—is no longer challenged but seems to be a part of the landscape.

The system of administration remains very much an ad hoc one. Plans in the Prime Minister's office seldom seem to be cast far in advance and schedules can change abruptly without warning. This is perhaps inevitable in a Government which sees itself as racing against time in an effort to push through reforms and break the bureaucratic mould which formerly encased Turkish administration.

REACH THE TURKISH MARKET WITH

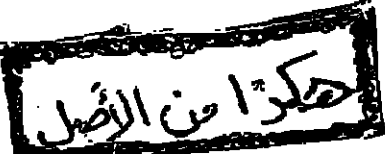
Tanitim

Advertise in the country's leading periodical for current business information

Call us today on: 01-836 7693

Samsöner Ltd.

9 Denmark Street London WC2H 8LS. Telex: 262417 Samsön G.



Martial law starts to relax

IN THE PAST six months, the last remnants of the military presence has virtually faded from the streets of Ankara. The withdrawal to the barracks may be partly to establish Turkey's credentials in Europe and the West as a country in transition to democracy.

More important, however, are internal considerations which make the military wish to maintain a lower profile. As one observer puts it, "The Armed Forces need to retain their popularity as a means of pulling the carpet out from under the political opposition."

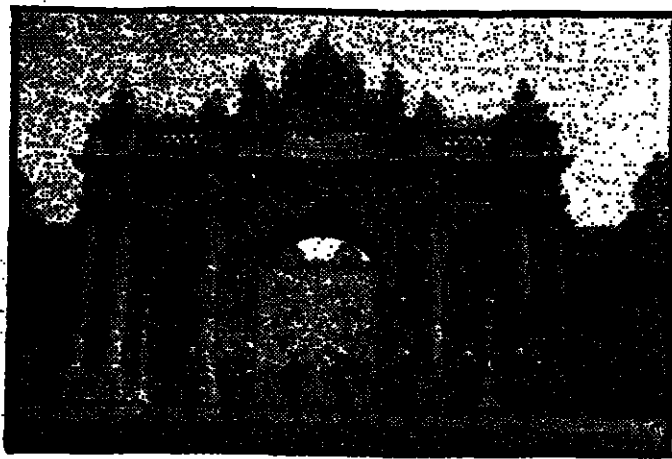
The attitude of conscripts who make up more than half the massive 600,000-strong Turkish armed forces is also a factor. "They don't want to hear that the return to democracy is not working."

Like most Turks, the conscripts see the military as the country's saviours, the force which stopped the anarchy and terrorism of the late 1970s, which claimed more than 5,000 lives. Unlike their officer counterparts, however, they do not have any vested interest in military rule and they genuinely appear to believe in President Kenan Evren as the guardian of the country's democratic framework.

Martial law has been lifted in all but 23 of the 67 provinces and a loosening up of the tight disciplines imposed after the 1980 coup seems to be well under way. However, in the major cities martial law remains in force. Among other things, this means that trials in martial law tribunals, something relatively common for civilians in Turkey, continue.

Civilian political life is reviving and the military have established a good working relationship with Mr Turgut Ozal and his ruling Motherland Party, despite some fierce disapproval of the party's Islamic clerical wing.

Nowadays there are tallies by political leaders—and frequent vocal criticism of the Government's economic policies from wage-earners and the press. Political discussion, however, remains limited by laws pushed



The Army on duty outside the Dolmabahçe Palace, Istanbul

through after the 1980 military takeover.

Arguing that political liberalisation would mean a return to fighting in the streets—an argument even some left-wing Turks would find it difficult to deny—President Evren has set his face sternly against any amendments to the strict Constitution of 1982, during his term in office ending in 1989.

Elsewhere the supervisory mechanisms created by the military continue to operate. One such is the Higher Education Board or YOK, which was set up by the military and

The Army

STEPHANIE GRAY

has been responsible for the dismissal of hundreds of university teachers—mostly for alleged left-wing leanings—without right of appeal or explanation. The military blame them for the unrest of the 1970s.

For all the criticism of these restrictions and of the limitations placed on trade union activities, torture, and of the country's human rights record, there seems little likelihood that the transition to democracy will be speeded up.

The parties in Parliament, who benefited from the military's exclusion of their rivals from the 1983 general elections, are probably content with the present situation.

In the country at large, too, complaints about restrictions under military rule are mostly confined to left-wing intellectuals. Life in rural areas is not questions and press censorship has restrained the spread of discussion in the towns.

Beside which, the Turks view their Army with historical perspective—for 600 years of Ottoman rule, the military authorities and the Government were indistinguishable. The role of the army in national consciousness is immense. It was the army which conquered modern Turkey from the Byzantines and which, under Atatürk, threw out the invaders from Anatolia in the 1920s.

However in the 1980s a less conspicuous presence is being sought. The military are keen to dispel any ideas that their members, especially career officers, have too comfortable a life compared with civilians.

Officers' clubs are now to be found all over the country. Many are quite modest, though they are often located on prime sites. Others are luxurious, officers regard them as compensation for low pay in the services.

The kind of envy which an apparently privileged existence might attract is one worry for the top leadership. A second is corruption. This problem became more acute during the years of army rule. There have been several prosecutions in martial law courts of officers at the major or colonel level who are accused of using their influence for personal gain.

The military are also anxious to avoid discontent among the junior officers who are more exposed to radical political currents than their elders. However it is always stressed that the 1980 military intervention took place within the normal chain of command of the Armed Forces. Western diplomats do not regard the Turkish army as one prone to a junior officers' coup. Hierarchy, discipline, and obedience are everything.

PROFILE: ERDAL INONU

Politician who prefers academic life

IT COMES as some surprise to find the man who has established himself as the second most important figure in Turkish politics since the 1980 coup has all the airs of the quiet academic existence he has led for most of his life.

Yet possibly not so surprising when one considers that Mr Erdal Inonu, the leader of the new Social Democracy Party (Sodep), is the son of Ismet, Atatürk's comrade-in-arms and successor as President.

A self-proclaimed reluctant politician, Erdal Inonu co-founded all the parties when, in the March 1984 local elections, he found himself in the awkward position of de facto leader of the opposition with no representation in Parliament.

While Mr Turgut Ozal's Motherland Party won a sweeping victory in the polls, Sodep, capturing many of the votes that might have gone to Mr Bulent Ecevit's banned Republican Peoples Party, wiped the floor with the Populist Party, the official opposition party in Parliament. Only four months earlier, the latter had gained

30.1 per cent of the vote to come second in the general elections, from which the traditional parties were banned.

The Social Democrats took 23.4 per cent of the overall vote, against the Populist Party's very poor 8.7 per cent.

Sodep had been prevented from participating in the General Election, having failed to overcome successive military vetoes of a necessary quota of founding members. Mr Inonu was one of those originally vetoed, despite his excellent credentials as someone who had not before been involved in politics.

The 58-year-old university don had held posts in the physics faculties of Turkish and U.S. universities since 1951. His most important work had been in atomic physics, which he began under President Eisenhower's Atoms for Peace programme. More recently, he had also served on the executive board of Unesco in Paris.

He saw his role in Turkish academia as trying to protect university life from political events. A career in politics, despite his family background, was not part of the

structure. His father, who died in 1973, was against any of his children entering politics. "He was trying to protect us. He thought political life was dangerous and didn't recommend it," says Mr Inonu.

Would the former President have regarded the events of 1980 as part of an inevitable cycle of military interventions?

"In some respects it was a re-run of history. But there have been some definite gains." He saw it (the movement toward full democracy) as a long struggle and would probably have felt that one should not despair.

Erdal Inonu entered politics finally because of the "exceptional circumstances" which followed the last military takeover. Most of the political personalities had been banned and "there was a need for new people."

Now that he has made such a success of his new career, he feels a bit nervous. It is not only because of his unhappy position as leader of a party which has no voice in Parliament. He says that, despite Sodep's following, its

policy and views are completely ignored by the state-owned television and radio organisation TRT. Lack of coverage might give the impression to his constituents of a lack of action he fears.

Coverage or no, Mr Inonu probably does not possess the sort of political guile necessary to win enough seats for a majority, should predictions of an early general election prove correct. For this reason, the party is seeking to merge with the Populists. The signs are that this course might gain approval at the PP's congress in June.

But the administrative problems of marrying a strong party outside Parliament with a weak one inside it may prove insurmountable. What is more, both parties face competition from the Left through a new party, scheduled to be formed in August by followers of Mr Ecevit.

If Sodep's impressive gains were to be wiped out in another election, one gets the impression Mr Inonu would not be too unhappy about returning to a quiet academic life.

Stephanie Gray



Erdal Inonu, leader of the New Social Democracy Party (Sodep).

No rush to test boundaries of freedom

Broadcasting and the Press

DAVID BARCHARD

admitted that up until now it has not been easy to get claims of ill-treatment published in the press.

For most newspapers, the emphasis is very much on the circulation stakes with television, cars, lotteries and other hand-outs being used to woo the reader. Turkish newspaper readers are fickle and apparently fond of reading more than one paper each day.

As a result there have been major fluctuations over the years in the circulation of some of the country's best-known dailies. *Hurriyet* remains the staple source of news for most of the country, a newspaper which has somehow con-

sistently managed to keep in step with majority instincts. *Hurriyet*, like all the other papers except *Cumhuriyet*, relies extensively on colour printing and supplements.

Down market, several newspapers now offer their readers a diet of garish sensation with little or no hard news on the front pages. *Cumhuriyet*, on the other hand, has gone up-market since 1980.

The left-wing fulminations which once filled up its columns are giving way to an emphasis on in-depth coverage. The paper's economic reporting has become a major source of news for businessmen.

Cumhuriyet's major rival on the right, *Tercuman*, is marking time as far as its circulation is concerned. It remains an unabashedly polemical paper which has not changed greatly since the 1970s.

One of the points on which

all Turkish papers seem to be agreed is that the country's television service could do better. Under its present director, an Ozal appointee, Mr Tunca Toskay, the State radio and television has become something of a whipping boy for the press.

The TRT suffers from the disadvantage of offering only a single television channel (a second one is contemplated) which means that the entire nation tends to focus on the low points of the previous night's broadcasting.

News presentation and documentaries tend to be carefully sanitised against controversy, as well as ponderous and slow-moving by European standards. Small wonder that there has been a video explosion in Turkey's big cities over the last half decade offering Turkish viewers the chance to select their own alternative.

Start at the top when choosing a Turkish bank



The sign of Turkey's leading business bank. İş Bank also has more branches, home and abroad, a total of 904.

The Bank is İş Bank. Ask any leading bank or corporation in the world and they will tell you: İş Bank is by far the strongest bank in the private sector and by any measure Turkey's leading commercial and industrial investment bank.

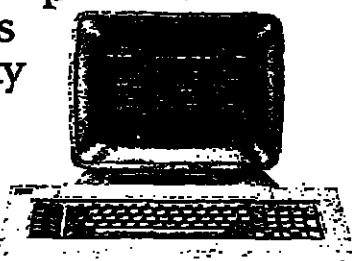
They will point to İş Bank's paid-up capital and reserves (the highest)

and İş Bank's experience and volume of foreign business—the widest and largest as foreign currency inflow figures make clear.

İş Bank has been in business since 1924 when the young Republic was largely without banks and with no industrial base. The Bank shouldered the task of providing sound banking for the economic development of Turkey. This meant loans, equity participations,

with İş Bank helping set up whole industries over the years and today owning equity in well over a hundred blue-chip companies.

Business in Turkey means İş Bank, your knowledgeable international banker will tell you. Every published figure confirms it.



Computer-linked for all operations with the world's financial centres, İş Bank's foreign department is the largest, handles the most business (and every kind) and has the biggest number (1000) of correspondent banks. Having outgrown its former quarters, the foreign head office in Istanbul is now in new premises.

Head Office:
Ankara, Turkey
Head Office:
Foreign Department:
Abdi İpekçi Caddesi No. 75
Mecidiyeköy
Tel: (1) 133 03 60
Telex: 24814 iş tr

Branches abroad:
London 21 Aldermanbury
London EC2V 7HA
Tel: (01) 606 7151
Telex: 8951543 işbank g

Frankfurt/Main
Kaiserstrasse 3
D-6000 Frankfurt/Main 1
Tel: (069) 20 635
Telex: 4189985 işch d

W. Berlin
Admiralstrasse 37
D-1000 W. Berlin 36
Tel: (030) 614 3034
Telex: 181481 işchb d

Branches in the
Turkish Republic of
Northern Cyprus:
Lefkoşa
Tel: 57123 işch uk

Megara
Tel: 57179 işch uk
Güneş
Tel: 57233 işch uk

Representative
Offices:
W. Germany
Frankfurt/Main
Tel: 8856609 işch d
Hamburg
Tel: 414143 işch d
Holland
The Hague
Tel: 34259 işch uk

Bureaus in
W. Germany:
Cologne
Tel: 8856609 işch d
Hamburg
Tel: 2173975 işch d

Munich
Tel: 528347 işch d
Söding
Tel: 72746 işch d

İŞ BANK

'İş', pronounced as in Turkish, means 'business'.

TURKEY 4

Based firmly on mutual interest

Relations with the U.S.

ROBERT MAUTHNER

TURKEY'S relationship with the U.S. in spite of all its ups and downs, is one which is based firmly on mutual interest and need and is certainly the most solid that Washington has with any country in the Eastern Mediterranean/Middle East region.

For the U.S. it is an essential plank of foreign and defence policy to maintain close relations with a country which is so strategically placed on the Eastern wing of Nato and which has common borders with the Soviet Union, Iran, Iraq, Syria, Greece and Bulgaria.

For the Turks who, in spite of Kemal Ataturk, are periodically tempted to look East because of what they perceive to be the lack of interest and even rejection of their country by their chosen European partners, the U.S. connection is their one sure life-time to the West.

The Americans like to say that their friendship with Turkey dates back to the 18th century and was officially consecrated by a treaty in 1830. But for all practical purposes, it was forged in the crucible of the uncertain post World War II period, when Turkey's traditional fear of Russian expansionism was compounded by Moscow's Middle Eastern political manoeuvres and Stalin was casting a deadly eye on Turkey's eastern provinces.

Since 1947, the U.S. has been pouring money and expertise into Turkey to the tune of \$7bn in military aid and nearly \$4bn in economic aid. It is the military aspect, however, which provides the cement for the whole relationship.

Turkey likes to argue that the aid given by the U.S. is no more than a proper payment for Turkey's contribution to western defence. Not only does it have the second largest army in Nato, with more than half a million men, but it provides the alliance with strategically placed air bases and some of its best intelligence gathering installations.

Moreover, between 5,000 and 6,000 U.S. military personnel are stationed on bases which, since 1980, have been classified as joint installations, though technically they come under the Turkish command structure. They include such major airfields as Incirlik, near Adana, on the Mediterranean coast close to the Syrian border and Pinarlik, near Diyarbakir, in Eastern Turkey.

Under an agreement signed in 1982, military airfields throughout the country are

TURKEY'S role as a military ally of the West remains the cornerstone of its foreign policy. But there have been stresses on its relations with the European Community and with Greece over the last half decade. These have proved hard to resolve. The key

being modernised with U.S. and Nato aid and two new airfields in Eastern Turkey, at Mus and Batman, are being constructed. Only last month it was announced that this accord, which is understood to apply to at least 10 existing bases, would be fleshed out with further bilateral agreements specifically allowing the U.S. to share air bases on Turkish territory in time of war and allowing it to store weapons, ammunition and fuel on them in peace-time.

Indeed, one of the main purposes of the Defence and Economic Co-operation Agreement, concluded in 1980 to provide the framework for U.S. military assistance to Turkey was to modernise the country's defences. For whatever the justified claims the Turks might make about the size of their

armed forces, their equipment is badly outdated.

The Turkish air force is still flying planes dating back to the Vietnam war, if not earlier, and urgently requires more modern military aircraft. To this end, General Dynamics of the U.S. is producing its F-16 interceptor in co-operation with the Turkish state aircraft company TUSAS. Initially, TUSAS will supply only some parts for the aircraft, about 160 of which will be built for the Turkish air force and sales abroad, but it will become progressively more involved in its co-production.

The U.S., too, is modernising Turkey's ageing 3,000-strong tank fleet of M 48s, which are being upgraded by the fitting of new diesel engines and more powerful guns.

Persuading the U.S. Congress to accept the Administration's annual aid proposals is always a difficult business, since it usually becomes mixed up with political considerations which often do not help Turkey's case.

On several occasions, congressional anger with Turkish policies has led to a serious, if usually temporary deterioration in the U.S.'s relations with Ankara, which has taken a long time to repair. Thus, the Turkish invasion of Cyprus in 1974 induced the U.S. Congress to impose an embargo on military shipments to Turkey in 1975, which lasted until 1978.

During that three-year period, Turkey not only became a member of the Islamic Conference Organisation, but signed a

wide-ranging agreement of friendship and co-operation with the Soviet Union, an indication that whenever things look bad in the West, Turkey's instinctive reaction is to look for friends elsewhere.

In 1984 again, a bitter quarrel erupted over a Congressional resolution accusing Turkey of the systematic massacre of Armenians in 1915, a charge that has always been denied by Ankara, which claims that Armenians, just like other people, were the victims of "normal warfare".

Congress's close scrutiny of Turkish politics, foreign policy and human rights record has caused a certain paranoia in Turkey, which sees the machinations of the Greek or Armenian lobby in the U.S. behind every decision hostile to its own interests.

The fact is that, while Congress usually laps off some of the Turkish aid funds requested by the Administration, and insists on a 10 to 7 ratio for aid to Turkey and Greece, the sums that are eventually approved are still very substantial. Indeed, Turkey is third in the world list of U.S. aid recipients, preceded only by Israel and Egypt.

Military assistance for the current fiscal year amounts to U.S.\$700m, with a further \$175m allocated in the form of economic aid. For fiscal 1986, the Administration has asked for a total of nearly \$1bn to be approved by Congress, a sum which the Senate Foreign Relations Committee has already voted to reduce, but only by \$70m.

The continuing problem over aid funds has not, however, prevented a real improvement in Turkey's relations with the U.S. since Mr Turgut Ozal became Prime Minister after the general election of November 1983.

Mr Ozal's market-oriented economic policies, coupled with his efforts to cut inflation and open up the Turkish economy to international trade, have, not surprisingly, found great favour in Washington.

During his recent visit to the U.S., President Reagan gave Mr Ozal something of a red carpet welcome, a fact that was quickly noted by the over-sensitive Turks: if Mr Ozal can also deliver the political goods by restoring full democracy in his country and helping to bring about a Cyprus settlement, a new honeymoon between the U.S. and Turkey may be on the cards.

But honeymoon or not, it is difficult to see how two countries whose interests are so intertwined, can afford to have anything but a transient quarrel.

President Reagan listens to Prime Minister Ozal parting remarks as he leaves the White House after their meeting last month



friendship with the United States was cemented with a highly successful visit to Wash-

ington by the prime minister, Mr Turgut Ozal, last month. Turkey's importance to the U.S. stands at an all time peak. This has played a major part in keeping its rivalry with Greece and its disagreements with the EEC under control.



We speak the language of your business



YASAR HOLDING A.S.
Sektir Fethiye Cad. 120, IZMIR / TURKEY
Telephone: 12 22 00 Telex: 951-14 17 89 Telex: 52 203 year tr

Borusan...

The Leading Turkish Steel Pipes Company With International Reputation.

Now one of Turkey's largest private enterprises, the Borusan Group has developed from a welded steel pipe manufacturing company set up in 1958.

Today, with twenty specialist companies and seven independent production units, Borusan produces and markets hundreds of items, including industrial tubes,



water and gas pipes, stainless steel tubes, hot and cold rolled coils and sheets, galvanized steel sheets and all types of electro-plated steel strip. The Borusan Group meets the needs of a whole variety of trades

and industries world-wide. In fact, more than half Borusan's 1984 output was exported - to the Middle East, to Western Europe and to the U.S.A. - so its international reputation is well and widely based. If you are interested in quality, competitive terms and impeccable service, Borusan can help you, too. Write, telex or telephone

today for details of Borusan's products, for a quotation or simply for more information about Borusan and Turkey. Whatever it may concern, your enquiry will receive immediate attention.



BORUSAN
Borusan Export
Borusan Building, 523/533
Sahpazari, Istanbul, Turkey
Tel: 144 87 50/9 lines - 145 10 90/5 lines
Telex: 24190 brs tr - 24586 brn tr

Misunderstandings persist

Robert Mauthner, Diplomatic Correspondent looks behind the strains in relations with the EEC

MORE THAN 20 years have passed since Turkey signed an Association Agreement with the European Community which was supposed to symbolize Turkey's status as a European nation and to prepare it for full membership of the EEC.

On neither score have the original objectives been fulfilled. The Turks, who have seen their Association agreement frozen for political and human rights reasons, and have consequently been deprived of some U.S. \$530m Community aid since 1981, feel a deep sense of grievance at their "rejection" by Western Europe.

That grievance is all the greater because, with rare exceptions, there is a general refusal in Ankara to reflect in the face on the European issue and to search for other more deep-seated reasons than the ones officially given for Western Europe's coolness towards Turkey, namely a feeling of cultural and religious incompatibility.

When the Turks are told that their relationship with the European Community or the Council of Europe can be normalised only after the restoration of full democracy in Turkey, the answer is always the same. The Europeans do not understand the historical role that the army has played in Turkey and the defender of fundamental political and moral values, it is claimed.

Turkey is therefore a very special case, which cannot be compared with Western European nations, whose evolution has been quite different.

That statement may very well be true, but what the Turks often do not realise, or accept, is that it begs the very question that it is supposed to answer. Are the values, ideals and historical perceptions of Turkey and Western Europe sufficiently similar to permit the integration of the two? There are many, even in Turkey, who have expressed doubts on the subject.

Turkey's stormy relationship with the Council of Europe is a case in point. Ankara attaches inordinate

importance to its membership of an organisation which long ago sunk into Europe's political sub-conscious, as a symbol of Turkey's European identity.

The Turks, as did the Greeks before they became members of the European Community, feel that membership of the 21-member organisation somehow establishes both their European and democratic credentials.

Unfortunately for Turkey, the Council of Europe's functions are most clearly defined in an area in which Turkey's recent record leaves much to be desired: the organisation's main role today is as the guardian of human rights through its off-shoots the European Court and European Commission on Human Rights.

When Turkey expects to be treated on a par with every other member of the organisation, it considers as interference in its internal affairs any attempt by the Council to pass a judgement on human rights cases in Turkey, such as the trials of peace activists and trade unionists.

Tactics like walking out of ministerial meetings of the Council of Europe to protest against the Council's decision to deny Turkey the presidency for another year, as the Turkish representative did last month, take the place of addressing the complaints which are at the heart of the issue.

To a lesser degree, a similar attitude is taken by Ankara towards its Association Agreement with the European Community. While the Europeans are castigated for freezing the fourth financial protocol and their reluctance to apply the agreement's provisions on the freedom of movement of workers, due to come into effect in 1986, little or nothing is heard in Ankara about its own failure to apply certain essential clauses of the agreement.

Thus Turkey failed in 1977 and 1978 both to make the first planned alignment of its external tariffs on the common external tariff of the European Community and the third 10 per cent reduction in its customs duties on imports from the Community. Given this situation, the fact that martial law is still being partially applied in Turkey and that the restoration of democracy in several other fields is still incomplete in spite of the encouraging progress that has been made

in this direction, it would clearly be imprudent for Turkey to apply for full EEC membership now.

Mr Turgut Ozal, the Prime Minister, has been talking of a possible "surprise application" ever since he won the general election in November 1983, but it is difficult to see what could be gained from such a move. The least that can be said on the subject is that Ankara would be risking an embarrassing diplomatic rebuff if it were to make a membership application at this juncture.

Denmark, which has been particularly punctilious in monitoring the Turkish political and human rights situation, and Greece, to name only the two most obvious opponents of Turkish entry into the Community, would certainly veto any membership application by Ankara. Even leaving the internal situation in Turkey aside, all members of the Community have condemned the Turkish invasion of Cyprus in 1974 and have refused to recognise the subsequent declaration of independence by the Turkish northern part of the island.

It looks, therefore, as if the restoration of close Turkish-European relations is heavily dependent on the internal situation in Turkey and on a Cyprus settlement. The best that can be hoped for in the foreseeable future is a slow

reactivation of the Turkey-EEC Association Agreement as progress it made by Turkey towards a full return to democracy.

The whole problem is complicated by the fact that Turkey is a much-valued member of the Atlantic Alliance whom no one wants to antagonise to the point that the Turks will turn their backs on Europe and the West in general. The risk of exposing NATO's south-eastern flank to hostile influences is not a prospect that either the U.S. or Western Europe wants to contemplate.

For Turkey, its strategic situation and substantial contribution to Nato with, it should be said, enormous U.S. financial and technical help, is an important bargaining counter in its relationship with Western Europe. For the European Community, Turkey's Nato membership acts as a sharp brake on the tendency of some member countries to write off the Turks as suitable partners in the European enterprise.

In the longer run, it is the realisation by the European Community and Turkey that they are committed to post their defence efforts, rather than any feeling of common destiny, history or culture, which is likely to be the deciding factor in maintaining the links between two sceptical partners.

USTAY GROUP OF COMPANIES

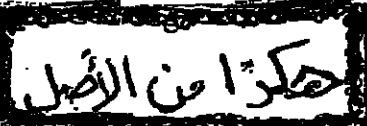
CIVIL WORKS CONTRACTORS

URBAN DEVELOPMENTS
INDUSTRIAL BUILDINGS
HOUSING PROJECTS
FABRICATORIES
EARTH MOVING
ROAD CONSTRUCTION
PETROCHEMICAL OFF-SITES
PIPING
SEWERAGE
HOTELS
TRADING

FOREIGN INVESTMENT CO-OPERATION

Cumhuriyet Cad. 12/10
Seyhan Apt., Etilmadag
ISTANBUL-TURKEY

TEL: 1483333
1467964
TLX: 23603Atay



gn Policy
st

Little dialogue on Cyprus dispute

"We propose conciliation with Greece. Our proposals aren't reciprocated," says an Ankara official. Seen from the Turkish capital, the Turkish-Greek dispute over Cyprus appears to be blocked by the powerful personality of a Greek prime minister who shows no interest in improving relations.

Until Mr Papandreu became prime minister in Greece in 1981, the bureaucracies of the two countries maintained regular contacts. Teams from the foreign ministries of Greece and Turkey met several times a year for negotiations, the aim of which seemed to be more to keep dialogue alive and prevent the risk of confrontation getting worse than to thrash out practical solutions on the areas of disagreement.

For the past four years, however, there has been virtually no dialogue and Greek foreign policy has rested largely on the portrayal of Turkey to the European Community, the U.S. and the rest of the outside world as a hostile power with expansionist designs.

This situation might have been expected to lead to a serious deterioration in the Aegean. Somehow it has not. There have been occasional flare-ups. Last spring, Greece threatened to withdraw its ambassador from Ankara after it claimed that one of its vessels had come under fire during Turkish naval exercises in the Gulf of Saros.

But the incident proved to be a false alarm. Athens backed down, though it continues to protest regularly at infringements of its airspace by Turkish jets. This spring, as last year, it brushed aside publicly dangled olive branches from Turkey, when Mr Ozal, the Turkish prime minister, called for more trade and technical and tourist co-operation.

There are several possible explanations why tension has not worsened. One could be that Mr Papandreu's bark, as far as Turkey is concerned, is worse than his bite. His remarks are largely for internal consumption and he is too shrewd to allow jaw-jaw to turn into war.

A second factor could be that Turkey, having decided that Athens is not in the mood for dialogue, has greeted Mr

Papandreu's accusations with a studied yawn. The press and the media generally do not give his attacks very much prominence and tempers have not been lost on the Turkish side of the Aegean.

So several areas of disagreement remain unsettled. These are:

- The delineation of the continental shelf in the Aegean. Turkey rejects Greek claims that the islands are entitled to virtually all the continental shelf, rather than the vasty larger mainland. It cites a 1976 UN Security Council decision urging the two sides to resolve their problems through talks.
- The Flight Information Region for planes in the Aegean. Greece regards this as being 10 miles. Turkey wants it to remain at six. The issue

NATO into taking sides. Last autumn, the Greeks appeared to have found a plausible way to open a rift between Turkey and NATO when they fanned the Turks into protesting at the stationing of NATO defences on the island of Lemnos.

So the dispute continues with the chief sufferers being the local peoples who might otherwise have greater access to their neighbours across the border. Greeks are already fond of popping across the frontier on shopping expeditions. Mr Ozal in April 1983 eased their lot by lifting visa restrictions on Greeks going to Turkey. Greece has yet to respond. In the Aegean a few Turks now use airports such as that on Rhodes as bases for trips to Europe.

Immediate interest, however, lies in whether intercommunal talks can be resumed. In January this year, a framework agreement, which would have started progress towards the creation of a reunited single Government of Cyprus collapsed at talks in New York. The Turkish Cypriots said that the Greek Cypriot leader, Mr Speros Kyprianou, had gone back on terms agreed in November.

Inside Turkey there was a certain undercurrent of relief that the breakdown made cessation of territory on Cyprus unnecessary. The Turkish side was particularly concerned not to appear intransigent in the eyes of the U.S.—though it rejects claims that diplomatic pressure from the U.S. was the chief reason for getting the intercommunal talks going again.

To the Turk in the street, the Cyprus problem is solved. Both communities live in peace and relative prosperity. No lives are lost and further fighting looks unlikely. The main discontent is that the Turkish Republic of Northern Cyprus is not recognised by any government other than Turkey.

Elections in Northern Cyprus and in Greece imply that the international momentum for a resumption of talks is unlikely to get going again before the late summer.

Asked what chance they see for agreement then, Turks and Turkish Cypriots tend to shrug their shoulders and say that a settlement will only be reached when and if the government of mainland Greece wants one.

PRIVATE SECTOR investment is growing by 5 per cent a year in real terms. Industry grew by 8.7 per cent last year and is expected to grow by 7.5 per cent this year. Production is running at the highest levels in half a decade. Capacity utilisation, which at one point had sagged below the 50 per cent average mark, is now back at internationally acceptable levels.

It sounds like a rosy picture, but the truth is still somewhat uncomfortable. Mr Ozal's medicine has cauterised many of the ills afflicting the Turkish economy half a decade ago, but normality, especially for industrialists, has yet to make a full return.

The positive side of the balance sheet remains impressive. Turkey's external payments are under control—in fact as far as foreign-currency goes, there is now something of a surplus on Turkish markets. It is the Turkish lira which is hard to find.

Exports have risen from \$4.7bn in 1981 to \$7.1bn last year, growing by 26 per cent in 1984 alone. Further growth of 15 per cent is expected this year. Imports are growing too, but the trade deficit (\$2.9bn last year compared to \$4.2bn in 1981) has been kept under control. Payments delays are a thing of the past.

There has been a considerable degree of liberalisation—including food imports, once regarded as a taboo in Turkey—and shortages are a thing of the past. "If you can pay for it, you can find it," has become the basic market rule.

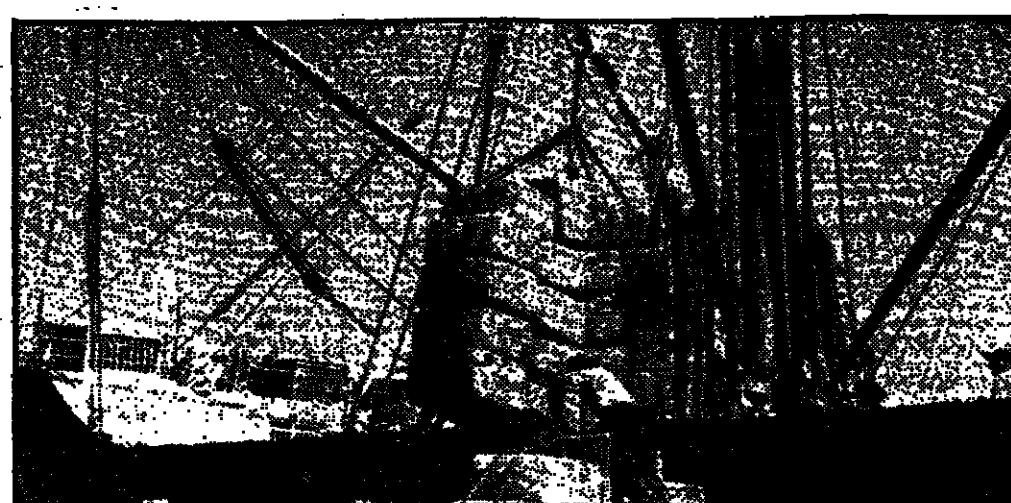
On the current account, Turkey continues to run a substantial deficit—\$1.4bn last year and probably \$1.2bn this year. Handling a total foreign debt which has now topped \$20bn will be particularly tough in 1985 and 1986, described as "hump years" by the bank.

A syndicated loan of \$500m was borrowed from the internal commercial banks this spring and Turkey will probably have to return to the money markets next year for a larger amount. However, though this year's loan—hybrid arrangement—was criticised by some banks and took longer than expected to arrange, Turkey's creditworthiness seems to be steadily improving. The loans have got larger and the terms on which they are available have become more favourable each year.

While it is not without risks, the external payments situation now seems quite favourable. It is the internal picture which raises some questions.

The immediate priority—reportedly the one which occupies most of the Prime Minister's thoughts—is to bring down inflation.

In 1980, when Mr Ozal first



Loading and unloading at Alsancak, one of Turkey's main export ports, Izmir

Mr. Ozal's medicine aids the patient



AS MR OZAL'S restructuring programme moves into its sixth year, exports are higher than ever. Inflation remains a severe problem, however, and industry has to live with soaring interest rates. Growth is continuing but full stabilisation has yet to be attained.

Organisation, points out, several factors combined in 1984 to decrease government revenues. Several taxes were cut. Others were affected by the difference between the inflation rates of 1983 and 1984.

To help plug the gap, the Government introduced a value-added tax in January this year which after some initial confusion, now seems to have settled down. "There's no escape from the VAT," one Ankara trader remarks wryly.

The new tax is expected to be much more efficient than those it replaced. VAT may net anything up to TL 1,600bn in 1984—about \$3.1bn. The Government is slowing down its programme of tax reductions and trying to economise in other fields. As a result it hopes this year to be able to hold the budget deficit down to around 1 per cent of GNP.

Mr Ozal now hopes that inflation will be held to under 2 per cent a month in the second half of this year, which would imply a year end rate of 40 to 45 per cent.

If it could be shown that inflation was coming down and staying down, the effect on industry would be invigorating. For a start, it might then be possible to ease rates to borrowers. In theory these average around 60 per cent. In practice, the net cost to the firm can be 20 per cent above that. Even firms which would normally find it easy to make a

profit find themselves slipping into bad debts at such rates. The Government so far has had little success in offering the business world. High interest rates are needed to ensure that banks can write off bad debts which may in some cases make up nearly half their lending portfolios.

But punitive interest rates create a vicious circle in which many banks find it hard not to incur even more unreliable debts. Meanwhile, because of the lack of an effective secondary money market, the budget deficit fuels inflation still further.

There has been relatively little heard so far this year about another potentially serious long-term inflationary pressure. Organised labour is currently weak, but Turkey's civil servants as well as its industrial working class are being hard hit by Mr Ozal's policies. So far the premier has been able to brush aside pressure from fixed income groups. Not all industrialists are sure he will be able to do so indefinitely.

If inflation comes down, then business activity is likely to show a very fast revival—and the hunt will be on for more foreign investment. Virtually all Turks, whatever their political background, now believe that a substantial transfer of resources from abroad through direct private investment is needed to ensure fast growth.

Chipping away at an entrenched and somewhat parochial bureaucracy takes time. Changing the rules—as Mr Ozal has done since 1980—does not necessarily change the outlook and working practices of particular officials. Only time and experience can do that. But the Turkish environment is becoming steadily more receptive for the foreign investor.

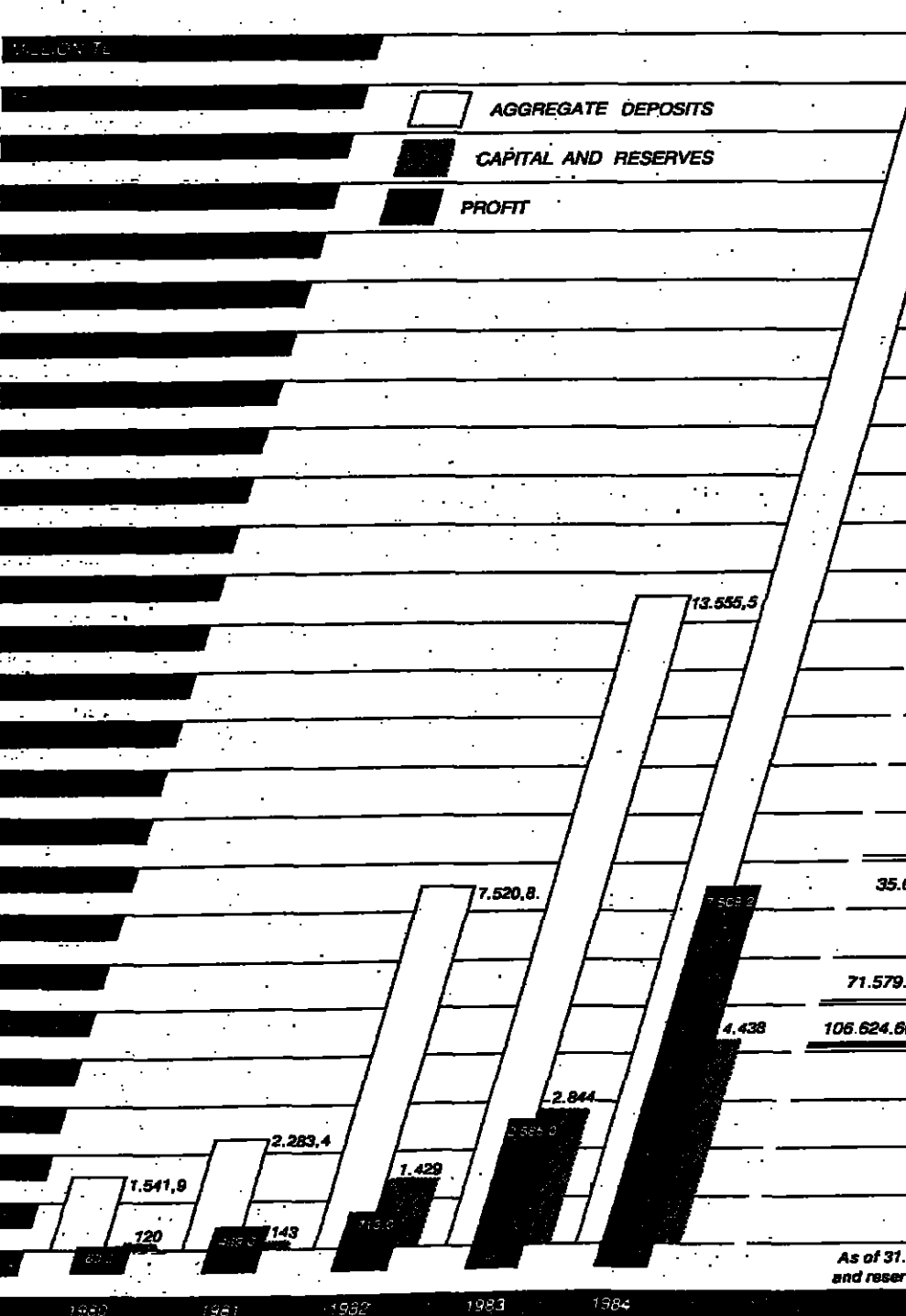
Meanwhile, Turkish businesses are rationalising their management and plant structures and an increasing number are using internationally recognised accounting techniques. Sophisticated marketing, once virtually unknown, has become widespread.

If 1984 had a lesson for the Turkish economy, it was that Mr Ozal and his team were not magicians and could not transform the Turkish economy in months. Fundamental restructuring is both a painful process and a slow one—but there is no doubt that it is under way and Turkish businessmen now have their eyes on international markets.

Some of the weaker businesses may wish for breathing space as they struggle to adapt. No one wants to go back to the closed economy of the 1960s and 1970s.

David Barchard

WATCH OUR GROWTH DISBANK



TÜRK DIŞ TİCARET BANKASI A.Ş. BALANCE SHEET AS OF DECEMBER 31, 1984					
1983	ASSETS	1984	1983	LIABILITIES	1984
TL	TL	TL	TL	TL	TL
1,995,000,000.00	UNPAID CAPITAL	997,500,000.00	4,000,000,000.00	CAPITAL	4,000,000,000.00
1,213,868,469.37	CASH	1,529,659,856.00	839,216,168.79	RESERVE FUNDS	1,258,170,446.35
876,544,774.13	CENTRAL BANK OF TURKEY	1,759,438,978.73	21,640.00	PROVISIONS	177,730,047.68
7,570,570,187.99	BANKS	11,981,350,302.01	4,828,753,970.15	CENTRAL BANK OF TURKEY	577,812,481.02
	SHARES AND SECURITIES PORTFOLIO	316,000,000.00	1,016,222,918.78	SPECIAL ACCOUNT PROVISIONS	1,279,602,030.12
1,931,779,552.32	DEPOSITORY PROVISIONS	2,788,377,731.00	2,274,993,115.03	BANKS	1,678,289,148.69
18,474,984,739.77	LOANS	27,662,232,194.67	13,555,523,882.64	DEPOSITS	25,217,580,255.58
691,480,132.78	VARIOUS RECEIVABLES	146,737,922.36	1,904,756,385.71	FOREIGN EXCHANGE DEPOSITORY ACCOUNTS	6,848,173,875.62
973,772,519.34	SPECIAL ACCOUNTS (CENTRAL BANK OF TURKEY)	1,248,326,888.55	82,276,676.28	PAYMENT ORDERS	604,011,115.68
108,578,186.68	STATUTORY DEPOSITS WITH THE CENTRAL BANK	473,177,298.89	1,148,691,780.59	VARIOUS ACCOUNTS PAYABLE	3,496,827,211.28
544,373,360.17	FIXED ASSETS	1,478,249,220.83	11,980.70	UNCLAIMED DIVIDENDS	35,191.41
47,714,748.85	DELAYED RECEIVABLES	69,230,889.73	2,809,610,542.18	OTHER LIABILITIES	3,058,476,540.74
580,371,796.18	OTHER ASSETS	5,243,057,876.76	2,585,076,432.51	PROFIT	7,508,178,211.82
28,116,025.82	REDISCOUNTED RECEIVABLES	31,547,407.44	35,045,154,493.36		55,704,886,556.97
35,045,154,493.36		55,704,886,556.97			
71,579,513,142.88	CONTINGENT ACCOUNTS	142,875,574,689.09	71,579,513,142.88	CONTINGENT ACCOUNTS	142,875,574,689.09
106,624,667,636.24		198,580,461,246.06	106,624,667,636.24		198,580,461,246.06

DISBANK TÜRK DIŞ TİCARET BANKASI
Turkish Foreign Trade Bank

Head office:
Cumhuriyet Cad. 199/201
Harbiye
İstanbul-TURKEY
Telex No: 22096 tdtb-tr.

TURKEY 6

Export expansion wins priority

Foreign Trade and Payments

ROBERT MAUTHNER

THE ECONOMIC reform programme introduced in 1980 by Mr Turgut Ozal, at that time head of the state planning organisation, has had a profound effect on Turkey's trade and payments structure.

The objective of import substitution, previously at the heart of the country's economic policies, was replaced by a new outward-looking philosophy which has progressively broken down Turkey's protectionist stockades.

For the past five years, economic policy has given priority to the expansion of exports. A modest start has also been made in pulling down import barriers, though tariffs, as distinct from non-tariff obstacles, still remain very high in many cases.

The turnaround in the trade and payments situation was almost immediate. In 1981, a year when world trade was declining, Turkish exports grew by as much as 80 per cent and, by the end of 1984, were almost 2.5 times more in value (calculated in U.S. dollars) than five years previously.

Significantly, the impressive improvement in Turkey's trade performance has gone hand in hand with a fundamental change in the composition of its exports. Some 20 years ago, nearly four-fifths of the country's very modest exports of U.S.\$368m were agricultural products and only 15 per cent were industrial goods, with the rest being provided by mining products.

Last year, when exports totalled \$7.3bn, the proportions were almost exactly reversed, with industrial products making up 72 per cent and agricultural products 24.5 per cent of the total.

The very creditable export performance has not, however, prevented Turkey from registering constant, though on the whole manageable, trade and payments deficits since Mr Ozal first introduced his reforms. The country's reliance on imported oil and petrochemicals, as well as the sophisticated machinery to enable it to carry out its industrialisation programme, has ensured a high level of imports.

In 1984, the trade shortfall amounted to \$3.5bn, though this was 1.6 per cent lower than the previous year, thanks to a 25

per cent rise in the value of exports, compared with an increase of only 16 per cent in imports.

Turkish workers' remittances from abroad, though falling, helped to keep the current account deficit to the much more modest level of \$1.6bn, compared with \$1.8bn in 1983. According to official projections, this will be brought down further to barely more than U.S.\$1bn by the end of 1985.

It is largely the exploitation of Middle East markets that has enabled Turkey to improve its trading and payments performance. The development of trading relations with its neighbours, Iran and Iraq, as well as with other Moslem countries such as Saudi Arabia, Libya and the Gulf states, has been relatively much greater than that with Turkey's traditional European partners.

West Germany, it is true, remains by far Turkey's single most important trading partner, taking nearly 18 per cent of Turkey's exports and providing 11 per cent of its imports in 1984. But the European Community as a whole now only accounts for 38 per cent of Turkey's exports and 27.6 per cent of its imports, compared with 41 and 36 per cent respectively for the Islamic group of countries.

At the same time, the Turks have learnt to be wary of the volatility and unreliability of some of their Middle East outlets, particularly at a time when some of their principal trading partners in the region, neighbouring Iraq and Iran, are fighting an economically debilitating war and oil revenues are falling.

The decline in Turkish exports which occurred in 1983, before picking up again last year, was attributable mainly to a sharp reduction in Iraq's and Libya's imports, in the former case by as much as 50 per cent. This year again there have been disquieting signs of economic problems in Libya, which in March informed Turkey that the construction projects as many as 30 Turkish companies in Libya were being wound up.

Such symptoms of instability in some of their most important markets in the Middle East region have made the Turks all the more anxious to put their association agreement with the EEC on the rails again, even if it does not lead to full membership of the Community in the foreseeable future.

Whatever the situation, independent experts believe that Turkey will not be able to achieve a trade surplus for at least 10 years. The prospects for the current account are rather better, but will depend

Debt Service Requirement

	At December 31 1984 (\$m)				1985			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Public sector	1,226	610	1,234	616	1,301	613	1,332	553
Central bank	589	323	609	242	693	181	718	90
Private sector	124	46	140	33	111	23	88	10
Total debt service	1,940	979	1,991	891	2,105	817	2,138	661
Interest	2,919	979	2,882	817	2,922	817	2,789	661

1 Table excludes transactions with the IMF and interest on all short-term debt.
2 All calculations are based on the exchange rates prevailing at December 31, 1984. The projections assume 6 months of LIBOR of 8 per cent for dollars, 6.75 per cent for Deutsche marks and 4.25 per cent for Swiss francs.
Source: Undersecretariat of Treasury and Foreign Trade and Capital Bank.

Foreign Trade

Countries	1983		1984	
	Exports	Imports	Exports	Imports
W. Germany	937,766	1,032,848	1,279,688	1,173,443
Iran	1,087,716	1,222,651	750,559	1,548,935
Iraq	319,557	944,551	934,390	942,257
U.S.	331,710	695,116	368,169	1,073,473
Italy	422,758	519,273	561,159	629,407
Libya	184,287	793,356	142,436	669,587
Britain	247,839	446,680	260,531	443,432
Saudi Arabia	364,706	268,793	377,986	215,739
Switzerland	286,472	265,896	356,247	233,878
USSR	88,708	237,653	128,507	513,061
Sub-total	4,076,726	6,433,129	5,111,866	7,232,953
Overall total	5,727,833	9,233,001	7,123,603	10,756,923

The share of the above 10 countries in the overall total

71.1 69.7 71.7 67.3

71.7% of Turkey's exports in 1984, a total of \$5,112m, was accounted for by 10 countries—according to calculations made by the State Institute of Statistics. 71.4% of the total export in 1984 was made to West Germany gaining \$1,280m. Turkey has imported more from Iran than any other country. Turkey exported \$761m worth of goods to Iran but imported \$1,549m worth of goods from the same country.

Turkish exports have lifted threefold in five years. Major expansion of ports and other infrastructure has been essential

to a large extent on a continued flow of workers' remittances from abroad and Turkey's capacity to develop a lucrative tourist industry, at present still in its infancy.

As a result of Turkey's improved economic situation, it is now in a much better position to finance its payments deficits by borrowing on the international capital market. However, it is by no means over the hump yet. International bankers have not forgotten that only six years ago, Turkey was obliged to reschedule about 50 per cent of its \$14bn debt outstanding at the end of 1979, and the International Monetary Fund continues to have some doubts about Turkey's present economic policies.

As a result, though the Government and state sector managed to raise nearly \$2bn on the international markets last year, Turkey still does not have a top credit rating. It took three months of arduous

negotiations to arrange the syndication by a group of 21 banks of a \$500m seven-year loan facility for Turkey earlier this year.

The borrowing climate has not been improved by the obvious hesitations shown by the IMF in completing a new one-year standby facility for Turkey of about \$250m (\$250m), apparently because the international body considers that Turkey's growth targets for 1985 are too high and that it is spending too much on public sector projects. On May 14, the dialogue with the IMF was broken off after two months, apparently because of disagreements over growth targets. Talks will resume in the autumn.

A cloud hanging over the whole situation is that Turkey faces a particularly heavy debt service burden during the four years from 1985 to 1988, since it will start repaying this year

the principal on the loans scheduled in 1979. With a total disbursed public and private external debt of \$19,930m (excluding credits from the IMF) at the end of 1984, repayments of principal and interest in 1985 are expected to amount to \$2.9bn, a debt service ratio of 24.6 per cent.

Repayments will remain roughly at the same level until the end of 1987, before beginning to decline slowly in 1988 and more rapidly in 1989, when they are projected to fall to \$1.7bn.

The next few years will therefore be a real test for the Turkish economy and for Mr Ozal's standing in the country. Only the maintenance of the Prime Minister's stringent economic and financial policies will enable Turkey to meet its debt repayments and retain international confidence. The unknown quantity is whether he can survive the resulting political unpopularity.

Virtues of Conservative and Prudent Banking

TEB is run by Bankers who only serve select corporate clients and prime correspondent banks.

TEB's range of activities mainly covers foreign trade finance and related banking services built on an in-depth knowledge of Turkey's industrial and commercial sectors.

TEB Bankers are determined to keep their conservative and dynamic management policy intact in the future - an essential requirement for achieving a high performance based on sound balance ratios.

FINANCIAL HIGHLIGHTS

	31.12.1984	31.12.1985
Total Assets	10,411	12,593
Cash and Due from Banks	7,363	9,596
Paid-in Capital and Reserves	1,504	2,700
Total Deposits	4,043	4,403
Pre-Tax Revenues	1,556	506



TÜRK EKONOMİ BANKASI A.Ş.

For our Annual Report and/or quarterly Statement, please write to our head office at:
İstiklal Caddesi, 284, Odakule kat: 13, Beyoğlu - İSTANBUL
Phone: (1) 143 16 72 Telex: 22943 tebu tr

Easing strain on the economy

Privatisation

STEPHANIE GRAY

LAST MONTH, eight foreign merchant banks and consortiums sent representatives to Turkey to come up with ideas that might win them contracts to advise the Government on ways to privatise more than 30 state concerns, many of them cumbersome State Economic Enterprises (SEEs).

The list is something of a mixed bag. But if the hiving off of Turkish Airlines and other government concerns were to have anything like the success of revenue sharing schemes in the Bosphorus Bridge and the Keban hydro-electric dam, Mr Turgut Ozal's team would have every reason to be pleased.

Income-sharing certificates in the 10-year-old Bosphorus Bridge sold out within an hour of going on sale last December, netting about TL 10bn (£16m). With certificates offering investors a return of 18 per cent over three years or 16 per cent over five, the issue was vastly oversubscribed.

The bridge brings in revenue of about TL 12bn a year. Thirty per cent of this is to be distributed to the bond holders. The sale of certificates in the Keban dam on the Euphrates in January caused only marginally less excitement.

Queues formed outside the branches of the Bankasi in Ankara, Istanbul and Izmir long before opening time. Demand was also heavy among expatriate Turkish workers.

As a result, the entire issue of TL 40bn certificates was sold out within two days. They are expected to bring an average net interest of 50 per cent a year. Dividends are to be paid every six months.

The Keban dam, on the Euphrates, is said to be the fourth largest hydro power station in the world. It is the largest source of electricity in Turkey, producing 60n kilowatt-hour a year. Profits for 1985 are predicted to be about TL 75bn.

There was some criticism that the smallest share was TL 50,000, a sum considered by many to be out of the reach of the average Turkish citizen, already hard pressed by rising prices and eroded real earnings. Nevertheless, many citizens did purchase the shares and bankers' fears that people would liquidate their savings to buy them proved unfounded.

It appears that the Government's intention of dragging financial resources out from "under the mattress" has worked splendidly.

A similar revenue sharing scheme is planned for the \$2bn Atatürk dam, also on the Euphrates. When completed—hopefully by 1990—the dam should have six 300 Mw power units. More importantly, it will also irrigate the arid Urfia plain in the south-east of the country and is predicted to double agricultural production.

The list is the sort of stuff Turkish dreams are made of and there should be no shortage of demand for shares.

Prospects for the privatisation of Turk Hava Yolları (THY), the national airline, however, are not quite so certain.

The airline, although it started making profits in 1984 after years in which it reported losses, charges too little for air fares inside the country and its internal routes need substantial reorganisation.

According to Dr Namik Kemal Kiliç, the director of Turkey's Foreign Investment Department, THY will probably try to link up with one of the European airlines. He expects an initial study by Lazard Freres on how best to rationalise the company's operations and the various sales options to be completed by the end of next month.

Shares in the company could be sold to the public in much the same way that British Telecom was sold.

In many of the SEEs, however, privatisation could take a different form. One suggestion has been the setting up of joint ventures with the private sector—either local foreign—with the state offering plant, factories or other fixed assets as its share of the venture.

Tekel, the state tobacco and liquor monopoly that, because of its enormous vested interests is regarded as one of the more difficult privatisation projects, has seven tobacco factories, some of them very ancient. Four more are being built and these could be candidates for private sector investment.

How state economic enterprises fared

	PROFIT AND LOSS ACCOUNT			
	1981	1982	1983	1984*
Expenditure	1,969.10	2,734.50	2,775.00	6,190.40
Wages and salaries	314.30	370.20	464.00	762.30
Other inputs	1,595.60	2,233.90	3,117.90	5,301.30
Depreciation and other provisions	55.20	70.40	193.20	186.80
Income	1,976.90	2,591.20	3,740.60	6,420.70
Sales revenue	1,766.90	2,649.90	3,596.00	6,130.70
Increases in stocks	209.90	151.40	144.60	290.00
Gross profit/loss	7.70	66.70	-34.40	230.30

* Current estimate (provisional) Source: S.F.C.

build their own factories and to go into competition with the state monopoly for the crops of the 63,000 small farmers producing tea on the Black Sea coast. Foreign companies have also shown a great deal of interest in Turkey's tea industry.

Producer prices for tea are at present about TL 100 a kilo. The Tea Board sells the better quality varieties for TL 2,500 a kilo. The scope for competition is thus enormous.

While private sector involvement in the tea industry is reasonably advanced—there are no plans for creating estates out of the smallholdings—the possibilities in other areas are still being explored.

Most progress has been made in the mining, cement and textiles industries. A study of Etibank, the mining concern, is due out at the same time as the first THY report.

Sümerbank, the textiles company, and several cement and fertiliser plants are to be next on the list, the prospects for cement being the most promising.

The proceeds of state sales are to be channelled through the Directorate of Mass Housing and Public Partnership Administration

into mass housing projects that are designed to palliate the effects of Mr Turgut Ozal's monetarist policies.

In the eyes of many, though, the obstacles in the way of privatising many of the SEEs—whose number has risen from 27 to 34 since 1980—are enormous. With few exceptions, the enterprises are poorly managed and over-staffed. Efforts at reform have had patchy results and prices are still mostly fixed by the Government.

Set up in the 1930s and 1940s, the enterprises contributed greatly to laying a modern industrial basis in Turkey at a time when water and electricity supplies outside the cities did not exist. Their initial purpose, however, has long since gone.

Nevertheless, government officials point out, the SEEs are no longer the huge drain on the economy that they once were. After losses of TL 34.4bn in 1983, provisional figures for last year show a gross profit of TL 230bn.

However, privatisation programme has clearly got a long way to go. In the meantime, the most intense activity is likely to be among the various contenders for agreements on how best it should be carried out.

Demak A.S.

Tourism and real estate promotion

Coastal villas and holiday villages — we give investors complete project services — Offices and executive residences — we find them for the foreign businessman

Summers in Turkey — we locate Bosphorus homes and coastal villas

Associated with Chestertons of London and New York
Partners: Arslanur Erenel, Tuncay Cavdar, David Tonge
Basari Apartment, Bronz Sokak 1/4, Macka, Istanbul
Telephone: 1330345, 1404715
Telex: 28789 Htt tr

حکومتی انجمن

Upsurge follows streamlined procedures

Foreign Investment

STEWART DALBY

DR NAMIK KEMAL KILIC, the young and dynamic head of the Foreign Investment Department at the State Planning Organisation says he strongly believes that foreign investment in Turkey is about to take off.

Obviously, the latest statistics support him. At the end of 1984, some 267 foreign companies had been given approval for \$1.2bn worth of foreign investments in the country. This compares with the oft-quoted figure of \$228m between 1954 and 1979 which was the cumulative figure for non-oil investment in those years. Thus, foreign investment approvals appear to have increased more than fivefold in just five years.

The Swiss are the largest investors with some 51 projects, followed by the West Germans with 47, the U.S. with 36 and Britain with 21.

The reason for the upsurge is that, after the reformist policies of the governments in power since the 1980 coup, there has been liberalisation not only of the currency but also of trade. In this free climate, foreign investment has been actively sought rather than tacitly discouraged as in the pre-1979 period.

Until the 1980s, Turkey was a largely closed economy with highly protected industries. Any foreign companies, with the notable exception of oil concerns, which did show an interest were daunted by a combination of nationalist feeling hanging over from the Ottoman days and the fear of colonial domination which marked the last years of the Ottoman empire, a hardly defined set of foreign investment rules and an almost impenetrable tangle of bureaucratic red tape.

Turkey has had a foreign investment law since 1954 in the form of Decree Law 6224, but even in the less xenophobic (relatively speaking) days of the post-single party period of the 1950s and 1960s, would-be investors found it difficult to hack through the bureaucratic jungle.

One bright young Turkish businessman, involved in hotel

ventures with foreign interests in the south observes: "When my father tried to do business with foreigners for this same area that I am now involved in he found it impossible. First he got a permit from the Ministry of Tourism. Then, because there were trees, he had to clear it with the Ministry of Forestry."

Then, because it was on the coast, he had to clear it with the army, in case there was trouble over the closeness of Greek islands. Once he had done all this, the original six months permit from the Ministry of Tourism had run out and he had to start again."

Perhaps the greatest service the Government of Mr Turgut Ozal, the Prime Minister, has done for foreign investment is to streamline the procedures. An updating of Decree Law 6224 with a number of new decrees—most recently Decree 30 last July and Decree 17 in 1983—means there is now "one stop" foreign investment.

The Foreign Investment Department (FID) at the SPO can now authorise any investment up to \$50m off its own bat. Any investment over \$50m needs the approval of the council of ministers. But Dr Kilic says most investments are usually approved within a month at the outside.

Potential tourism investors have some dealings with the Ministry of Tourism, although the FID can process these applications. Oil companies continue to deal with the oil department at the Ministry of Energy.

At the same time as streamlining the applications procedures, the Government has come up with an attractive package of trade and investment incentives.

In general, the incentives are: exemption from customs taxes and duties for the importation of machinery and equipment; exemption from taxes and duties for medium and long-term credits; an investment allowance (up to 100 per cent of fixed investment is deductible from corporation tax); exemption from construction tax and a cash rebate made by the central bank out of fixed investment expenditures up to 20 per cent.

There is also relief on interest on loans. (This is important for prospective local partners since normal interest rates can be up to 70 to 80 per



The \$10m fertiliser plant at Yarmca built by Woodall-Duckham.

cent.) Up to 20 per cent relief on export earnings are also not subject to corporation tax.

Corporation tax is normally 40 per cent but various expenses are deductible. As far as ownership is concerned, foreign companies can wholly own subsidiaries and there is a scale of minimum equity requirements for industries depending on their nature and location.

Investments in developed regions (Istanbul, Ankara, Izmir, etc.) require a 40 per cent minimum equity stake. Investments in development regions like the East require 30 per cent. Shipbuilding needs only a 10 per cent equity stake.

Foreign companies can repatriate all of their profits and there is no bar to repatriation of capital overseas.

If these incentives are taken together with other relaxations (such as the fact that outsiders can now own land and purchase property under certain conditions and everyone can now have foreign exchange accounts at the banks), it all adds up to an attractive foreign investment regime.

The figures for investments seem to suggest that foreign concerns are responding. The levels of foreign investment, moreover, will become considerably inflated if the Government's plan for large energy projects to be handled by foreign concerns as investments rather than export guaranteed turkey projects comes to fruition.

Mr Yusuf Bozkurt Ozal, the head of the SPO and the Prime Minister's younger brother, says three energy projects involving imported coal and local lignite are close to being realised. An Australian concern, he says, wants to ship coal to Turkey for a coal-fired power station.

It is cheap to transport coal, he claims, provided there is enough of it and large 100,000 dwt tankers are used. The Australian-backed project would be down on the Mediterranean Sea, presumably close to large ports like Mersin. The investment concerned could amount to \$1bn.

Two other projects also involving sums of up to \$1bn each, and also with a projected Turkish Government stake, involve a U.S. concern on the Marmara Sea, and a consortium involving the Swiss Brown Boveri group and unnamed British concerns in the Aegean.

The attraction of making these projects foreign investments rather than domestic-based constructions, is, in the words of an Ankara-based diplomat, "that it keeps the costs off Turkey's books." With a large foreign debt to finance, Turkey wants to avoid increasing its payments' liabilities in the short term.

In the longer term, of course, there would be a foreign exchange outflow since Turkey would have to agree to buy the energy produced by these projects, and at an economic rate.

For the present, however, increasing energy capacity in this way avoids an immediate foreign payments outflow problem while boosting foreign investment.

The Government also hopes that nuclear plants, if there are to be any, would be funded on this basis.

While the energy projects would substantially boost the foreign involvement in Turkey, the investment inflow is still relatively small. The figure of \$1.2bn for outstanding foreign approvals could translate into only 50 per cent realised projects.

Secondly, until 1983 a lot of the investment was in the form of non-guaranteed trade arrears. That is, companies in Turkey were offered money owed by Turkey which the country had not been able to settle, provided they consented to trade arrears. Probably 80 per cent of investment was converted in this way.

While most trade arrears had been settled by 1984, one bank estimated that of the \$271m which was approved in 1984, probably only \$96m was fresh investment, and some of this was for established companies.

Some observers, who feel that Turkey is unlikely to be the magnet for foreign funds that at first sight it appears. Since the country liberalised its import regime there is less reason to set up manufacturing units.

As one diplomat put it, "why should a company go to all the trouble of setting up, in a still fairly uncertain political climate, when they can simply export goods?" Studies have been made by the BL subsidiary, Land Rover. No firm decisions have, however, been made.

There is also the problem of inflation, currently running in excess of 50 per cent, to be considered. This is particularly worrying for prospective local partners since, taken together with high interest rates, it can easily make investments a high risk proposition.

Mr Dan Wilson the commercial attaché at the U.S. Consulate in Istanbul says: "I think that there is now a very good investment climate here, but with the exception of tourism, where there is an obvious need for more hotels, companies are holding back waiting to see what inflation will do. After all, they do not want to see

their investment vaporised in a couple of years by price rises."

Dr Kilic airily dismisses these arguments. "You have got to remember after an initial period there are customs duties and VAT to consider. I can tell you that if Land Rover or International Harvester or whoever do not set up here, they will be undercut by the Japanese who do. Companies will not be able to export to Turkey as cheaply as the local product. There are also Turkish companies who are as competitive as importers."

As for inflation, he says that since companies can now hold foreign currency they can convert into lira only when they need to spend cash and thus avoid an exchange risk. He is optimistic that there is plenty of scope particularly in tourism and agribusiness.

Given the very high wastage in agriculture, there is scope for boosting the packaging and wrapping so that more produce could reach the market in better condition. Even if one does not accept the argument that Turkey is about to become the granary for the Middle East, exports elsewhere, for value added agricultural products, like tomato paste, could soar.

Companies like IFT and Northern Telecom have been here for some time. The most recent influx of banks and accountancy companies. These include accountants Arthur Andersen, Price Waterhouse and bankers Citibank, American Express, Manufacturers Hanover Trust, Standard Chartered are about to set up in Istanbul.

So far, the banks' main interest has been cashing in on the trade boom. Exports have risen in the past four years from \$2bn to \$7bn. But as Mr Wilson says, they are really the first wave in any new foreign investment upsurge.

One of the Government's latest plans is to privatise most of the 43 or so State Economic Enterprises. Eight foreign banks have been given lists of enterprises to look at and advise whether they could be privatised.

There should be scope here for foreigners, since contrary to common belief, the SEEs, like concrete, textiles and fertilisers sectors, no longer lose large sums of money. It is too soon to tell but Dr Kilic could well be correct in forecasting a "take-off."

Companies with foreign capital

	No of companies	Foreign capital TL(m)	Share in total foreign capital %	Total capital of companies TL(m)	Foreign share in total capital %
Manufacturing					
Electric-Electronic Machinery	18	6,288	5.33	14,442	43.53
Fertiliser	11	2,503	2.12	10,316	24.26
Textile-clothing	1	976	0.82	2,065	47.25
Chemicals	15	6,326	5.36	13,936	45.39
Glass	27	8,888	7.54	11,590	76.75
Vehicles	3	1,683	1.42	17,450	9.64
Food-beverages	9	11,090	9.40	31,768	34.90
Metallurgical goods	21	14,100	11.95	23,085	56.20
Non-ferrous metals	11	2,054	1.74	7,753	26.48
Iron-steel	4	616	0.52	3,708	16.62
Plastic	6	3,167	2.68	9,580	33.15
Cement	3	419	0.35	885	47.36
Pulp and paper	1	680	0.57	4,800	14.16
Forestry products	1	1,750	1.48	3,640	48.06
Rubber	6	1,003	0.85	2,737	36.76
Baked clay tools	4	2,112	1.79	3,834	55.06
Vehicles auxiliary products	6	1,237	1.04	4,024	30.73
Others	9	5,272	4.47	14,220	37.07
	7	1,885	1.62	3,441	48.96
Total manufacturing	167	71,856	60.94	185,236	38.79
Agriculture	3	2,293	1.94	4,602	49.82
Mining	3	631	0.53	880	71.70
SERVICES:					
Tourism	14	3,997	3.39	7,428	53.61
Trade	45	1,907	1.61	2,213	86.19
Banking	12	24,325	20.63	20,240	80.44
Land transportation	4	1,321	1.12	1,928	68.49
Marine transportation	3	9,256	7.85	18,530	49.94
Others	16	2,319	1.96	3,719	62.35
Total services	94	43,135	36.57	64,058	67.32
Grand total	267	117,902	100.00	254,775	46.27

By countries

Country	No of companies	Foreign capital TL(m)	Share in total foreign capital %	Total capital of companies TL(m)	Foreign share in total capital %
U.S.	36	17,983	15.26	22,968	78.63
Austria	5	248	0.21	490	50.51
UAE	3	1,370	1.16	2,300	59.56
W. Germany	47	14,404	12.21	31,598	45.58
Bahrain	1	490	0.41	613	80.00
Belgium	3	220	0.18	373	59.05
Denmark	4	1,869	1.58	3,740	53.19
Finland	1	200	0.16	392	51.00
France	6	3,657	3.10	8,520	42.92
Holland	10	9,898	8.39	14,311	69.16
Islamic Development Bank	8	1,494	1.26	7,573	19.73
International Finance Corp	3	1,408	1.19	14,700	9.57
UK	21	3,661	3.10	13,145	27.84
Iraq	2	421	0.35	473	88.97
Iran	6	2,316	1.96	2,397	96.61
Sweden	3	46	0.03	803	5.71
Switzerland	51	20,163	17.10	46,363	43.62
Italy	7	5,535	4.69	9,545	57.99
Japan	2	19	0.01	60	31.65
Canada	1	1,097	0.93	3,540	31.00
Mixed	23	11,976	10.15	32,349	37.02
Kuwait	1	976	0.82	2,065	47.25
Libya	2	11,000	9.32	22,000	50.00
Lebanon	3	1,735	1.47	5,346	32.45
Luxembourg	2	1,051	0.89	2,421	43.42
Pakistan	1	2,382	2.02	2,382	100.00
Panama	2	923	0.78	1,896	54.43
Syria	10	450	0.38	813	55.39
Saudi Arabia	1	540	0.45	600	90.00
Yugoslavia	1	250	0.21	800	31.25
Total	267	117,902	100.00	254,775	46.27

Hema



Hema GEAR INDUSTRY AND TRADE S.A.

This company was established in 1974 with an installed capacity of 25 000 sets of truck and 65 000 sets of tractor transmissions and differentials per year. We exported \$ 30 000 000 worth of our products to Europe in 1984.

Modern gear cutting technology and strict quality control systems assure us a leading position though out the world.

We produce gears and shafts for tractors under EATON licence as well as complete EATON transmissions and rear axle differentials for trucks.

We currently supply this equipment to BEDFORD, BMC, FORD, FIAT, MASSEY FERGUSON and CHRYSLER GROUP in TURKEY and abroad.

OFFICE: Bilk Sokak No: 3
Kavaklıdere, ANKARA

TLX: 42783 GEAR TR
TEL: (41) 262843 - 277954

FAX: 1723252

FACTORY: Polatlı Karayolu 55 Km. ANKARA

TLX: 42963 HDF TR

TEL: (41) 125820 (10 LINES)

FAX: 241094

Hema TRACTOR INDUSTRY AND TRADE S.A.

Manufacturers of powerful and reliable 50 HP 3610 and 88 HP 6610 series FORD agricultural tractors.

HEAD OFFICE: Maya Sokak No: 3
Gayrettepe - ISTANBUL

TLX: 26605 HEST

TEL: (1) 1723248 (7 LINES)

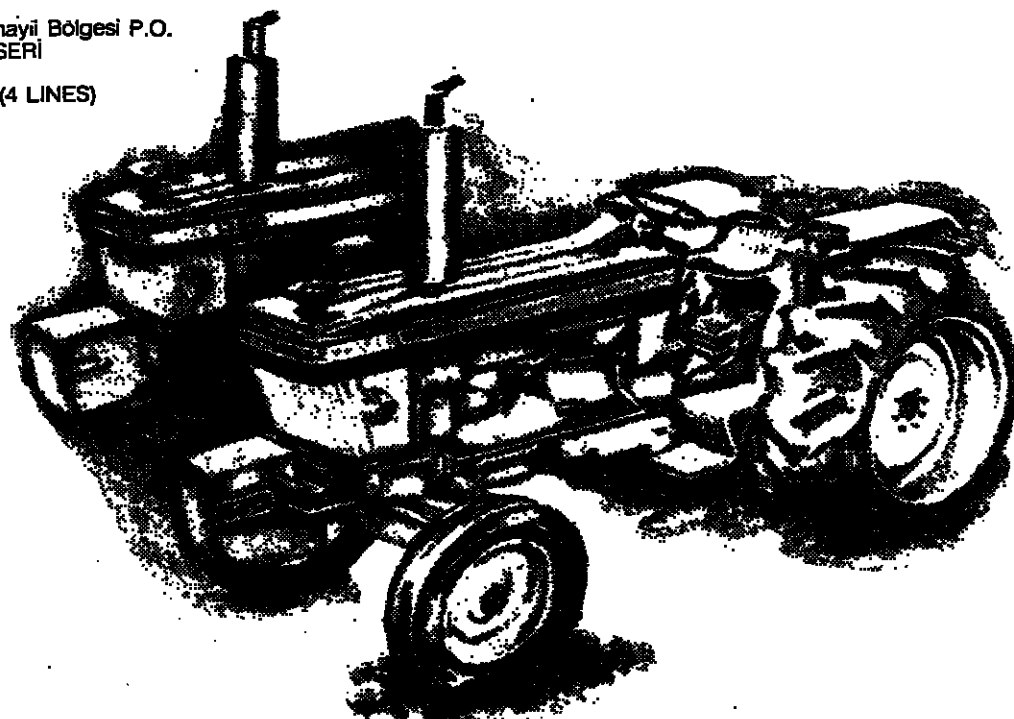
FAX: 1723257

FACTORY: Organize Sanayii Bölgesi P.O.
Box 45 KAYSERİ

TLX: 49571

TEL: (351) 16320 (4 LINES)

FAX: 35116326



Hema FOREIGN TRADE CO. S.A.

We specialise in re-export and barter trade through our three marketing firms, expert in all international trading

HEAD OFFICE: Nispetiye Caddesi Levent İşhanı No: 6/3

Levent - ISTANBUL

TEL: 1695776 - 1695717 - 1691169



Banks adapt to a revolution



SINCE 1980, when Mr Turgut Ocal first attempted to free interest rates in the Turkish banking system, Turkey's banks have been living with a revolution. At first they tried to resist it. Now they are learning to adapt, but for some banks the process will take many years to work through.

"The market place is in a process of segmentation," says one foreign banker. "The impact of foreign banks has been considerable in significantly reducing the cost of financial services to a small number of multinational companies, but it isn't obvious that it has yet touched levels below that."

"About 300 companies are getting all the benefits of these new services and technology. But they are a drop in the bucket as far as the Turkish market place as a whole is concerned."

For a few efficient operators—most but not all of them foreign banks—the last couple of years have seen easy profitability. The Akbank, a member of the Sabanci Group, run along uncompromisingly old-fashioned but remorselessly efficient lines, last year netted TL 25bn (\$40m) in profits. The leading foreign banks—Citibank and American Express—continue to make handsome profits.

One example of the easy transformability of a Turkish bank has recently been offered by the small Iktisat Bankasi, taken over by the former managing director of Interbank, Mr Erol Aksoy, which made a profit of TL 320m in the first quarter of the year, roughly the same amount as it did during the whole of 1983.

However, for many Turkish banks, times are still tough. The Government has created conditions of easy profitability to enable banks with serious bad loan problems to reach a point where they may be able to write them off eventually. The trouble is that the method used—interest rates which are at least 10 per cent above inflation—depresses the market and creates the possibility of more bad loans and defaults.

Several disconcerting features stand out in a murky scene. The average cost of deposits to banks is 30 per cent, but lending rates are around 60 to 65 per cent. Operating costs are still well above European levels. In 1983, 10.3 per cent

of loans was being spent on operating expenses.

Until recently most big Turkish banks have not been externally audited and balance sheets have been doctored by weaker ones to conceal their real position.

This situation is now changing. Some banks have opted for independent auditing by internationally recognised firms of accountants. Later this year, for example, the Cukurova Group's largest bank and one of the two largest private banks in Turkey, the Yapi ve Kredi Bankasi, will be audited by Arthur Andersen.

At the prompting of the Central Bank Governor, Mr Yavuz Cansevi, the regulatory environment will also become a more level playing field. A new Banking Decree, published in July 1983, has now been approved by Parliament, and its penal clauses will gradually go into effect. This means among other things that from July next year, it will be possible to know more or less exactly how many bad loans a bank has.

Though banks have been obliged to publish a figure for non-performing loans since 1981, the definition was much too loose. The cabinet is expected to approve a much tighter definition this year. "Basically procedures from now on will be speeded up and made very flexible," says Mr Cansevi. "In the bad old days a borrower could count on a delay."

Mr Cansevi also hopes to see more competition on interest rates for both lending and borrowing, and through reductions on commissions and service charges. Central Bank supervision is being steadily improved. An early warning system to alert the Central Bank to any dangerously weak performance has been developed, and a uniform accounting system is being introduced.

At the heart of the banking systems' problems, however, lie the related issues of interest rates of up to 80 per cent and bad debts which may amount to over TL 1,000bn (total commercial credits are only just over TL 2,000bn), described by one international banker in Istanbul as simply "a black box." Apart from creating conditions which some Turkish bankers regard as being absurdly easily profitable, no one has yet been able to work out a solution.

Many of the banks themselves are shifting their activities away from deposit-taking and credit-issuing. "The credit volume is going down in real terms, especially in the state banks," says one Ankara banker. "The banks are switching to such activities as foreign currency or particularly state bonds. They are going out of the banking business and into the funding business. I find that a bit disquieting."

For many banks, however, safety must come first. One of the banks which a few years ago was regarded as among the most innovative and forward-looking has recently been left licking its wounds and unable to distribute a dividend after a number of bad loan decisions. Despite this, the sector continues to attract outsiders. There are 14 foreign banks operating in Turkey. By the end of the year, the figure may be 19. There have been several innovations recently.

Early this year, Irving Trust of the U.S. bought a 40 per cent share in the equity of the Yasar Group's Tutunbank (Tobacco Bank). Another U.S. bank, Chemical, has chosen to enter Turkey in a joint venture with Enka Holding of Istanbul, and Mitsui of Japan. As a result, the Chemical-Mitsui Bank A.S. will open its doors in July with an American general manager and a Japanese assistant.

The foreign banks lead the field in several ways. They have trained staff who now occupy senior jobs in several Turkish banks—an educational role to which they seem resigned. They also offer money more cheaply to some borrowers than the Turkish banks can do.

But above all they are triggering a reorganisation of management methods. This has been strikingly seen in two Cukurova Group banks—first at the Interbank after 1982 and latterly at the Yapi ve Kredi Bankasi where a new corporate model has been adapted after a major shakeout by the general manager, Mr Husein Oztegin—another U.S.-educated banker.

Not everyone is sure that latecomers to the Turkish banking market face rich pickings. "Basically there are only two foreign banks here, American Express and Citibank. The others don't matter," growls a Turkish banker.

THE GOVERNMENT is trying to reform the banking sector and develop an effective secondary money market. But with much of industry in debt to the banks and only a limited supply of trained management for financial institutions, the list of problems to be resolved is still a long one.

Though the Turkish banking world appears to be overpopulated—with more than 40 deposit-taking banks, entrepreneurs are still eager to set up new banks. Last December, a group of contractors and exporters set up the Istanbul-based Export-Import Bank of Turkey, intended to provide sophisticated financial services to exporters and several key locations.

Another new bank is Adabank, set up by an Istanbul businessman Mr Kemal Uzun who recently purchased the Inar Bankasi from the Dogus Group.

These developments have not altogether pleased those who hoped the 1983 Banking Act would prise the banks out from the control of the large holding companies. Even Koc, Turkey's best known industrial group, which sold out its major stake in the Garanti Bankasi 18 months ago, is now planning to set up its own commercial bank, to be called the Kocbank.

Some bankers believe it would be healthier if the relationship were reversed and banks sometimes exerted more supervision over industry, for instance by insisting that on the right to appoint directors to companies they are keeping afloat.

The tangled relationship is almost as complex as the pattern of responsibility for the failed loans which weigh down the sector. The inside story of some of the worst bad debts makes it difficult to apportion blame along lines of commercial rationality usual in the West.

David Barchard

Leasing poised for growth

Financial markets
DAVID TONGE

THE DEALING room of Genbank, one of Turkey's active bond traders is an elegant, well-furnished office, ideally suited for receiving a client, seating him comfortably, and offering him the cups of coffee which fuel local business.

"Business is good," says Mr Tuncay Artun, general manager. "By the end of May, we will have done the same turnover as we did in the whole of last year." Yet an air of peace prevails, the telephones are quiet, and there is no sign of visual display units or any electronic linkage with the outside world.

At the current state of development of the country's capital markets, such aids are of secondary importance. A decade of inflation and economic difficulty have left their mark. But change is under way. Turkey's own financial revolution, however modest on a world scale, is beginning, with foreign banks playing an active role.

This year, at least six more foreign banks are expected to join the 14 already present in Turkey. In the past, newcomers have been happy to rely on the good margins available in traditional trade business. A sign of the times is that Manulac Kanover Trust, though only having opened last winter, is already laying plans for competing with established names in the bond markets.

Indeed, in these markets, the Government's delight, the foreign banks are helping slowly to bring in techniques familiar abroad. Prospects include the establishment of the country's first merchant bank and, once the leasing law is passed, of its first leasing company.

The legal framework for the country's capital markets has been enacted in 1981. A supervisory Capital Markets Board has been established and staffed, and is ensuring that those wishing to enter the markets meet the firm requirements of the law.

The money brokers who flourished and collapsed in 1981 and 1982 had merely needed to obtain a licence—costing TL 1,200. Now those who wish to underwrite securities must have a minimum capital of TL 200m, while those wishing merely to trade need a minimum capital of TL 50m. Such companies are now under the continuous scrutiny of the Capital Markets Board, as are publicly held corporations.

A new stock exchange law has been introduced, replacing one dating back half a century.

The newly-appointed Board of the Istanbul Stock Exchange held its first meeting. It is helping draft regulations to revitalise the currently moribund stock market and expects to finalise these regulations this autumn.

Attention is being paid to improving the status of the auditing profession as a first step towards requiring external auditing—though a draft bill on this has attracted strong criticism from foreign accounting firms.

A further development is in the field of leasing. After a year and more of preparation, a law covering leasing is now being brought before Parliament.

Such slow and often protracted basic steps have begun to restore the investors' confidence and to lessen the bruising memories of the money brokers' crashes in the early 1980s.

Equally important, there has been a major improvement in the quality of financial instruments being offered to the public.

The spur to change has been provided by the authorities. Last year the treasury put out over TL 1,000 bn (about U.S.\$2.7 bn) worth of paper, four times the figure for the previous year.

The issues which attracted most headlines were the shares in the revenue earned by the toll bridge over the Bosphorus and, this year, the Keban hydro-electric dam.

These shares were a new financial instrument involving citizens directly in the finances of some of Turkey's proudest engineering achievements. They represented a small step towards privatising the economy, a policy to which the Government attaches such importance. Adding to the intrigue of this new financial instrument was that it had been structured so as to be acceptable to investors determined to observe the Koranic injunction on interest.

But the major new market has been in treasury bills. These accounted for over three-quarters of public issues in 1984. Issues of treasury bonds—given to exporters to whom the Government owed cash

export rebates and also to contractors whom the Government could not afford to pay—were gradually being reduced.

The Government's hope is that it will eventually create such an active bill market that this can be used to set interest rates throughout the country's financial system. But it is running into problems with the International Monetary Fund (IMF), which would like to see Turkey monetise its budget deficit.

The Government has also been discovering that some of the Turkish banks have been finding the yields on treasury bills so attractive that they have been buying all they can for holding in their own portfolios rather than for trading.

The interest the banks receive on the bills is tax free, while the interest they pay on the deposits they use to fund the bill purchases is a tax credit. A few banks, like Mr Erol Aksoy's Iktisat Bankasi, have been buying for turnover. A number of the more entrepreneurial foreign banks like Citibank are also developing this side of the business.

For Mr Peter Nice, head of the Chase Manhattan branch in Turkey, one problem in the development of Turkey's capital market is the lack of a fully functioning interbank money market. He argues that this market is needed if funds are to be shifted quickly around the system.

But many problems exist. The first is within the banks themselves. Branch managers are often reluctant to give up surplus funds. Only a few banks like Yapi ve Kredi have their main branches connected to an on-line computing system.

A second problem is that the markets are still not accustomed to handling large sums at speed. Another problem in this area is one which—like inflation—permeates the whole financial system, the lack of reliable information about the people with whom you are doing business.

The new draft law on the auditing profession does not require external auditing. Indeed it is reportedly aimed at ensuring mere tax compliance.

Inherent in all this are the reasons why it may be some time before the stock exchange, founded during the Crimean War, but now little more than a shell, takes off.

Before 1980, firms preferred to fund themselves from commercial banks at negative real interest rates rather than turn to the equity market. After 1980

inflation was too high for investors to be interested in long-term commitments: a company, particularly when gold, foreign exchange, real estate or bank deposits offered better returns. Now the yields offered on Government paper crowd out interest in equities, and few people trust the figures that appear in company balance sheets.

Of the pension funds, it is mainly the banks' own funds which have assets and these are put in real estate. The income of the state pension funds tends to be used to help cover the budget deficit.

Life insurance is virtually non-existent in Turkey, and other insurance companies tend to keep their assets to a minimum, preferring to pass the maximum profits back to their shareholders, usually industrial groups or banks.

In this situation, the present administrative delays are relatively unimportant. Members of the Stock Exchange Board say that they do not expect to complete drafting the regulations of the exchange, until around October.

If this is one area where delay is possible, a second is in the field of leasing. A year ago the head of one foreign bank in Istanbul was confidently predicting that the bill covering this—and in drafting which the foreign banks have played a role—would be enacted in July. Today, the latest draft has just been withdrawn from Parliamentary committee for more modifications. However, as Mr Thomas Kane, of Manufacturers Hanover Trust, says, "They are definitely moving in the right direction."

There is little doubt that leasing could do as well in Turkey as it has in countries like Brazil and Korea.

The International Finance Corporation is actively encouraging developments in this field. A number of Turkish companies are poised to move into this area.

They will probably act more quickly than the major foreign companies who wait "they could need a year or more to launch a major operation in Turkey. But even if the law were enacted tomorrow it would still be 1987 before leasing becomes a force to be reckoned with in Turkey."

David Tonge is Director of IBS, International Business Services, Istanbul, a consulting firm helping investors and traders interested in the Turkish market.

Doğuş Holding Co. Inc.

One of Turkey's leading capital groups

Doğuş Holding is an organization guiding and controlling 23 institutions operating at international level in Commercial, Financial, Industrial, Construction and Tourism sectors.

Financial Group
Doğuş Yatırım A.Ş. - Ana Yatırım A.Ş. - T.Garanti Bankası A.Ş. - T.Garanti Bankası A.Ş. is Turkey's fifth leading private bank.

Construction Group
Doğuş Construction and Trading Inc. - Sah Construction and Trading Inc. - Ayson Drilling and Injection Inc. - Ana Housing and Construction Trading Inc. - Doğuş Industrial Works and Contracting Trading Inc. - Technical Engineering and Consultancy Inc. Doğuş Construction Co. continues its contracting works at 9 domestic and 7 overseas construction sides.

Tourism
Antur Tourism Inc. is among the leading institutions of Turkey functioning as travel agency and rendering tourism services. Antur travel has rendered services to over 100 institutions in 1984, realizing 80,000 overnight stays at the 5 star Alantur Touristic Hotel with a bed capacity of 500.

In Turkey, a country that has served as a bridge between eastern and western societies throughout history and that is considered as the country of civilizations documenting the history, Doğuş Group, is at the service of the Turkish economy and the Turkish People, acting in collaboration with international institutions.

Doğuş Holding A.Ş.

Head Office Büyükdere Caddesi Doğuş Han No. 42/7 Mecidiyeköy Istanbul - Turkey Tel: (1) 1723550 (5 Lines)
Tlx: 26495 Duru Tr. Cable: Doğuş Istanbul/Turkey

How Often Do You Need A Bank In Turkey?



In the past, probably not often. But now, the situation has changed. Turkey's doors are wide open to foreign investment and foreign investors interested in doing business here are given genuine welcome and access to many stimulating opportunities. So now you need a good, reliable, knowledgeable Turkish bank. You need Garanti Bankası, with its long experience and in-depth

knowledge of Turkey, of Turkey's economy generally and of its finance, trade, industry and services. Garanti Bankası will be delighted to answer all your questions about investing in Turkey. Whenever you need a bank in Turkey, contact Garanti Bankası; it will save you time and effort - and be your guarantee of a superior service.....

GARANTİ BANKASI

Istanbul Cad. 187, Galatasaray-Istanbul, Turkey Tel: (1) 143 14 00 - 149 58 15 Telex: 24538 Gale TR

هكذا من الأصل

Slowdown in the Middle East construction Upsurge in trade begins to flatten out

MUCH PLAY is made in Turkey at the moment of the huge increase in merchandise exports since the country's economy began to be liberalised in the early 1980s. Exports have increased from around US\$2bn in 1981 to more than \$7bn by the end of 1984.

Less heralded, but equally significant, has been the steep rise in the sales of services in general, and construction in particular. Although Turkey does not give an exact breakdown of services abroad, it is probable that the country's construction industry has been earning up to \$1bn directly from activity abroad.

If the proportion of workers' remittances is added in, this figure becomes higher. Workers' remittances in 1984 were \$1.9bn. Again the country's national accounts do not give a breakdown, and only a small proportion of workers abroad would be directly employed by Turkish construction companies.

Nevertheless, in terms of the overall export picture, the contribution is significant.

For the big construction companies like Enka and Sezi, Turkey's largest (STFA), a large proportion of turnover comes from abroad.

Mr M. Ayhan Sayrac, the marketing director of STFA, says that of the company's turnover of

\$200m 90 per cent of the work has been coming from outside the country. The company reckons to make a return of 10 per cent in gross profit on turnover and is involved in most kinds of civil engineering work. Its speciality, however, is marine engineering, notably harbours and jetties, as well as sewerage and other water works.

Religion is an important reason why Turkish companies have done so well abroad. "Turkish companies have done very well in the Middle East because we are Moslems," Mr Sayrac observes. For some contracts, in countries like Saudi Arabia, only Moslem contractors have been allowed to undertake the work. In the twin holy cities of Mecca and Medina foreign workers are permitted but they have to be Moslem. Non-Moslems are forbidden to enter the cities.

It is not simply a question of religion, however. Mr Sayrac admits, as do others in the construction industry, that Turkish companies have been able to work on very tight profit margins in some countries.

Geographical proximity also helps. STFA has done lots of work in Iran and also in Libya, as well as in Saudi Arabia and some of the Gulf states.

Turkey's position as the country



FAST opportunities and rapid growth await investors in Turkey's major industrial sectors, but investment is hampered by lack of funds and high interest rates. The future lies with export-oriented firms.

where Europe ends and Asia begins has been useful in servicing surrounding countries.

The Middle East boom, however, now seems to be largely over, at least for STFA. "A lot of the infrastructure has now been built particularly in the Gulf states," says Mr Sayrac.

"Countries like the UAE are not going to be needing new harbours and ports for the foreseeable future. Besides which, the oil price has dropped so much in recent

years that many Arab countries are cutting back and postponing works that still need to be done," he added. He cites Libya as the latest country where projects and plans have been shelved. Recent reports suggest that up to 200 contracts could be affected by Libya's cutbacks.

The slowdown in Middle East activity is reflected in STFA's turnover. In 1982 it was \$236m, in 1983 \$215m and last year it was \$205m.

The company, like others, is now looking closer to home for work, and with the tight margins it has achieved in Middle East stand a good chance of doing well in Turkey.

STFA is the lead Turkish company in the controversial \$550m contract to build a second Bosphorus bridge together with the access roads and motorways.

STFA is involved with Italian and Japanese companies in a consortium which undertook a civil tender from Enka and Cleveland Bridge, the British subsidiary of Trafalgar House, the company which built the first Bosphorus bridge.

The losing consortium made a bid of over \$670m. British Cabinet ministers claimed it was only because of the extremely generous nature of Japanese export subsidies that

the STFA/Japanese group was able to bid so low.

There now seems a possibility that the British group will get some of the work involved in building the bridge.

However apart from the well known projects like the Bosphorus bridge and the Ataturk dam, Turkey needs new power stations. STFA has, for example just won an order for a thermal power station worth \$20m. There is talk of nuclear power stations, a geo-thermal power station on the south coast, and another project to import coal from Australia for a coal fired power station.

There are also numerous hotels and holiday village projects in which local companies are increasingly involved.

Foreign investors can now have a 100 per cent involvement in Turkey because of the easier laws and cutback in bureaucratic red tape, but most prefer to go in with a Turkish company.

In the foreseeable future, there might be less work to be found overseas and, therefore, less in the way of invisible earnings. Overall turnover, of the larger companies at least should stand up well enough however, because of the projects in Turkey itself.

Stewart Dalby

Way opens for Rothmans to tap tobacco market

ROTHMANS INTERNATIONAL has been eyeing Turkey as a potential market for some time.

For a number of years a well-known U.S. concern smuggled up to 50m cigarettes annually into Turkey. Smuggling is perhaps the wrong word since the authorities knew about it and turned a blind eye. The cigarettes were only a small top-up to the legal market, amounting to some 700m cigarettes a year and dominated by the brands produced by Tekel, the country's state monopoly.

Rothmans' regional directors reckoned that the U.S. company made up to \$60m a year on the trade. Rothmans did not want to engage in "smuggling" itself but did want some of the action. The chance came with Turkey's liberalisation of the cigarette

market as well as the terms for foreign investment over the past two years.

Foreign cigarettes now come into Turkey under quota. As the Government now levies 10 per cent VAT on a wide range of goods, as well as charging customs duties, everybody is happy. The Government gets revenue it did not receive during the smuggling days. The company makes good the extra cost with higher prices.

The demand is there even though the U.S. cigarettes can cost as much as \$2 a packet against TL 120, or less than 30p, for the local brand. Rothmans can now also legally tap this market by exporting to Turkey under quota.

The company has decided to go further though and has set up a joint manufacturing ven-

ture. It has started a small pilot farm of eight hectares which it may expand to 16 or 20 hectares to produce Virginia tobacco.

The company is also building a \$5m manufacturing plant in eastern Turkey at Bitlis to produce local brand cigarettes under the names Best and Bitlis.

The group is going into partnership with some Istanbul businessmen who originally came from the region and say they want to help develop the area. The factory will employ 200 people and Rothmans, particularly because the project is in a developing region, received an attractive package from the Foreign Investment Department.

The company received a 20 per cent cash grant to build its plant and there is to be Corporation tax relief on investment for five years.

There are 4 per cent export subsidies for the first couple of years, although these are to be phased out. Interest rates on loans will be at half the normal rate—that is 35 per cent instead of over 70 per cent—and a foreign exchange insurance guarantee for up to half of borrowed capital.

The company itself has to put in only 30 per cent equity, \$750,000 since it is a 49 per cent joint venture. Another concession, although this hardly touches the company, is that personal tax allowances for employees are to be increased fivefold.

The company will initially be producing for the domestic market. In the long-term however, Mr Tony Jones, the regional director for Rothmans, hopes there will be exports and that the plant at

Bitlis will lead to bigger things.

"When they start breaking up the state monopoly, Tekel, we could be talking about and be involved in projects worth \$40m," he says.

At the moment, Turkey produces some 200,000 tons of black tobacco a year. Some 90,000 tons is exported and 70,000 tons is used locally, where it accounts for 80 per cent of the market. Some private merchants can buy leaf but Tekel has to buy everything that is left.

The current thinking is that Tekel will keep marketing activities and that manufacturing plants with private investors, some foreign, will be set up. One suggestion is that Tekel's existing plants will form their share of the investment.

S.D.

Shipping and Shipbuilding

STEWART DALBY

owners—that is diverting cargoes to foreign-registered vessels.

Even without the flattening of trade and the crewing problems, however, a shakeout in the shipping sector had been expected because of the nature of the buying spree.

When the incentives were first announced, there was a rush for old secondhand ships, particularly between 15,000 dwt and 30,000 dwt. In some cases, ships were bought for their scrap value, and loans were used for renovation. This meant that the Turkish fleet became very old and more than 60 per cent of the fleet is now more than 15 years old, strictly speaking, are not allowed to enter certain Middle East ports.

According to Mr Karacimeli at Marti many entrepreneurs bought a single ship largely on credit. In 1983 when Mr Turgut Osal returned to power as Prime Minister after a short period out of office, credit policies were tightened putting many of the single vessels shipowners under pressure. With depressed freight rates on one side and high interest to pay on the other margins became impossibly tight.

Mr Karacimeli cites a notional shipowner with one vessel who, borrowed \$1m

to buy a vessel. Even if he borrowed at a concessional rate of 35 per cent (and interest rates today are normally at around 70 to 80 per cent), then taken together with high overheads for one boat and depressed freight rates his profit margin would be slim, if it existed at all.

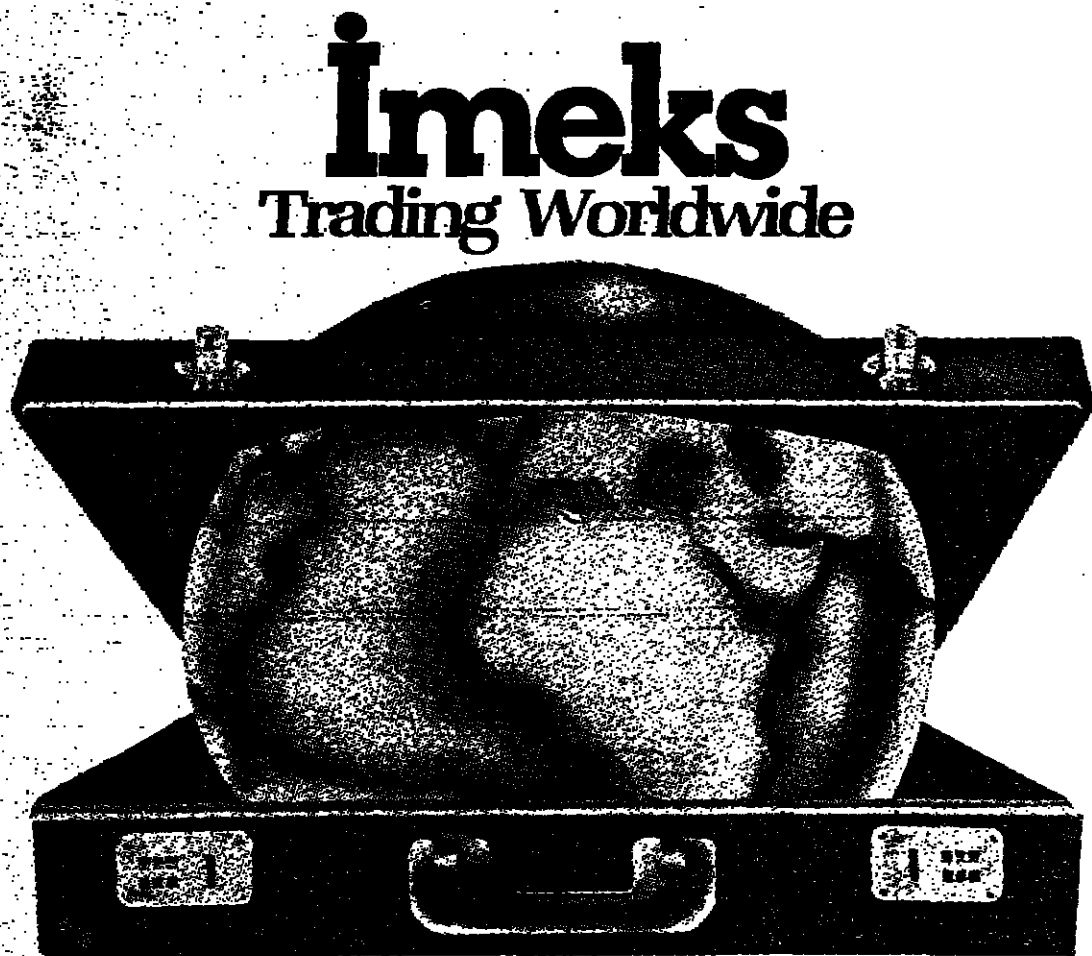
The consolidation taking place in shipping could, however, benefit the country's shipbuilders. As Mr Aykut Gurlek, a director of Sedef, a medium-sized Turkish shipbuilder observes: "Turkish shipbuilders have not really derived much benefit to date from the expansion in shipping because the purchases were second hand. But now we are beginning to feel the benefits of the liberalisation of shipping."

Mr Gurlek was not complaining. Turkey supports a medium sized shipbuilding industry. There are naval yards—seven in all in the state sector—which are largely controlled by the maritime bank. The Turkish Shipbuilders Association is made up of 35 yards in the private sector.

Mr Gurlek reckons the Sedef portfolio is fairly typical of the largely privately owned shipbuilders. Since 1973 Sedef has constructed some 51 vessels. These range from tugboats to piling barges and multipurpose cargo ships to pulp wood barges.

At least one third of these vessels have been for foreign buyers. Foreign buying has been particularly marked since 1981. Of the 16 vessels built since then, nine have gone to foreign buyers, particularly Libya. Turnover last year was \$25m, and Mr Gurlek says a good return was made on this.

The situation could now change, he thinks, as Turkish shippers look closer to home to replace their ageing fleets. The situation could further improve if the Government makes credit to prospective shipowners easier. "The government has been helpful, but not helpful enough in my view," Mr Gurlek says. There is now a plan however, for revolving credits for up to eight years. This will include part suspension of interest, making it worthwhile for shippers to buy domestically.



Do you want to IMPORT or EXPORT foodstuffs, chemicals, textiles and other industrial products from or through TURKEY?
THEN PLEASE CONTACT IMEKS...
With more than 120 M \$ of trade volume per year, with 80 specialists in trading, we assure the best service in all Middle East and North African countries.
IMEKS knows the international exchange of goods and determines the opportunities for expanding to new markets...
TRADING WORLDWIDE... WITH IMEKS

IMEKS
IMEKS INDUSTRIAL
PRODUCTS TRADING S.A.

Ashken Office
Büyükdere Caddesi Kat: 4/5
No: 17/8 Kat: 4/5
Tel: 217 28 72 (5 Lines)
Telex: 217 28 72

London Office
1379 Soho Rd. No: 59/210
Tel: 217 28 72
Telex: 217 28 72

Paris Office
1379 Soho Rd. No: 59/210
Tel: 217 28 72
Telex: 217 28 72

Switzerland Office
1379 Soho Rd. No: 59/210
Tel: 217 28 72
Telex: 217 28 72

Yemen Office
1379 Soho Rd. No: 59/210
Tel: 217 28 72
Telex: 217 28 72

IMEKS is an affiliate of Dogus Investment Co.



International Contracting Company **doğuş** **Construction and Trading Co. Inc.**

35 Years Of Domestic and Overseas Public Service

Highways-Railways-Harbours-Irrigation systems-Tunnels-Dams-Power plants-Industrial plants-Social plants-Urbanization projects

In the implementation of the program concerning the "evaluation of water resources" of Turkey bearing a vast hydraulic energy potential, Doğuş has constructed 11 dams.

Doğuş has completed during the last five years, the construction of Hasan Uğurlu Dam and Hydraulic Power Plant (Turkey's first underground power plant), Susuz Uğurlu Dam and Hydraulic Power Plant, Asiantaş Dam and Hydraulic Power Plant.

Doğuş is listed among the ten leading companies of Europe, in terms of construction values of dams and power plants, and occupies the 65th position on the list of the world's top construction companies.

Apart from its contracting works in Turkey, Doğuş is continuing in Libya the urbanization projects covering a total number of 4,000 housing units and complete infrastructure services, as well as, the construction of highways, water storage and irrigation plants, and in Yemen Arab Republic the construction of the Marib Dam.

Doğuş takes part in major domestic and overseas construction tenders in collaboration with consortiums constituted by large and famous construction companies of the world.

The unchanging principle of Doğuş is to complete its contracting works on time and in the best possible manner.

Doğuş İnşaat ve Ticaret A.Ş.

Head Office: Büyükdere Caddesi Doğuş Han No: 42/5 Tel: (1) 1724860 (5 Lines) Tlx: 28495 Duxu Tr Cable: Doğuş-İstanbul-Türkiye

TURKEY 10

Decisions awaited on nuclear plants

Energy
STEWART DALBY

A SHORTAGE of energy has long been a bottleneck to development in Turkey, as well as a considerable source of irritation and annoyance in the major cities.

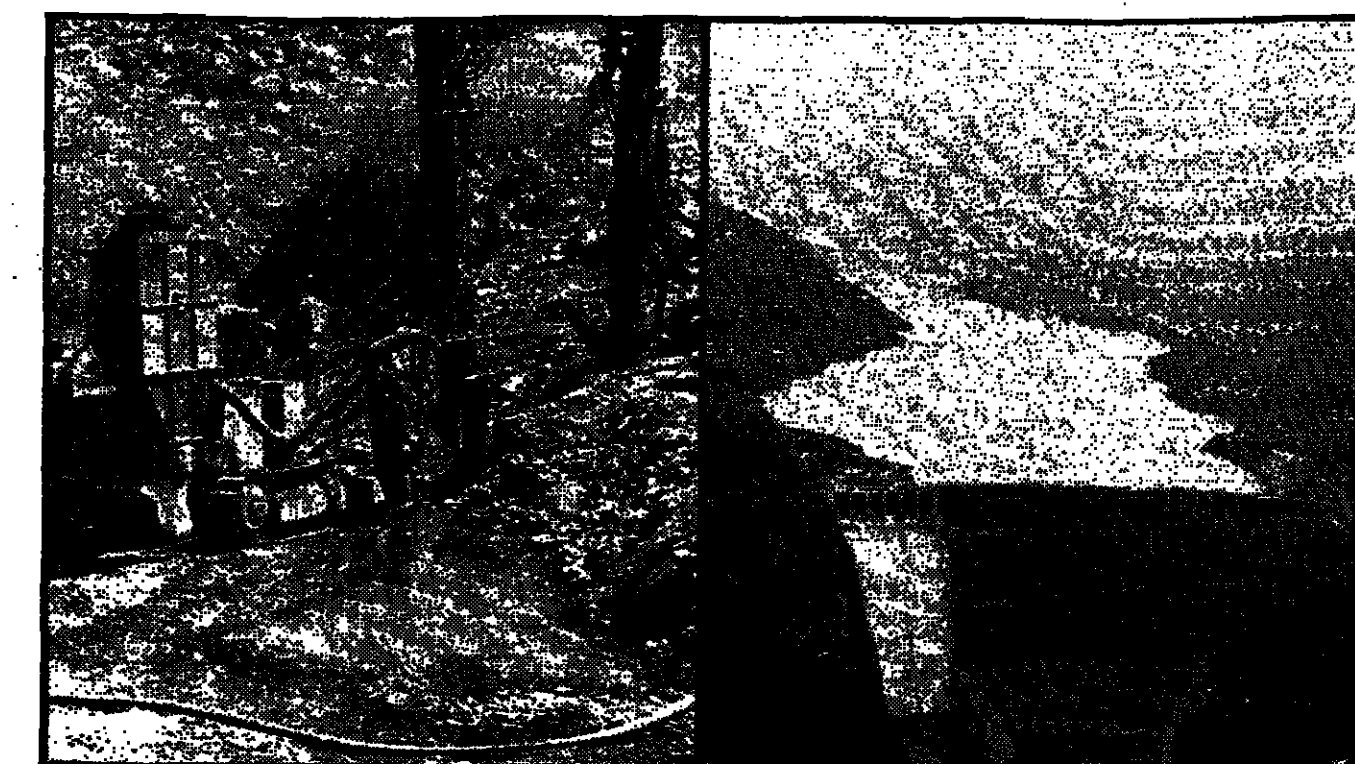
Although the power cuts and long petrol queues of the late 1970s and early 1980s are now a memory, the country today has barely enough energy to keep industries running. There are fears that by the 1990s there will not be enough power to meet the demands of a larger population (possibly 60m people by the end of the century) as well as the needs of expanded industries and greater agricultural activity.

Short of oil of its own, Turkey is developing its hydro and thermal sources of energy. Even so, there could still be a deficit towards the end of the century. One oil group estimated that total energy demand in 1980 was just over 30m tons of oil equivalent (toe). This could rise to 48.5m toe by 1985 and double by the year 2000. Put another way, Turkey's per capita consumption of energy is 600 kilowatt-hours (kwh) a year, a fraction of that used in Western industrialised countries.

One way of filling the gap could be to develop nuclear energy. For a while it looked as if the Government of Mr Turgut Ozal, the Prime Minister, would take this option in the short term and it may still do so in the medium term.

In November 1983, the Government signed letters of intent with three groups, General Electric of the U.S., Atomic Energy of Canada Limited (AECL) and Kraftwerk Union (KfU) of West Germany. The original discussions involved the U.S. concern building a plant of two units amounting to 1200 megawatts (Mw) capacity, the Canadian group a 685 Mw plant and the West German concern a 990 Mw nuclear power plant. It was never made clear, however, by Turkey whether, in fact, it wanted two 600 Mw plants, one of this size or a single larger unit.

Nor were the tentative sitings of the plants entirely satisfactory. There were to have been two units at Akkuyu in the south of the country and one at Sinop on the Black Sea. General Electric dropped out of the running early in 1984, but AECL and Kraftwerk Union



Work continues on the giant Karakaya Dam on the Euphrates. Right, the Hasan Ugurlu Dam near Samsun, part of a national programme to harness the country's hydro-electric resources

came up with export guarantees to build the plants on a turnkey basis of \$500m and \$950m respectively at current prices.

In the event discussion about sitings and size became academic because in September 1984, Mr Ozal suddenly changed the rules. The winning group was expected to shoulder all the financing for a nuclear plant — about \$1.5bn — and to operate the plant for 15 years before handing it over to the Government.

In other words, the Government wanted the project to become a foreign investment by the country concerned (and Japanese and other U.S. companies have recently shown an additional interest) and not, in effect, an export-guaranteed project which Turkey would eventually have to pay for in scarce foreign exchange.

It is true under the Ozal scheme, as it has become known, any company which built the plant could price the energy realistically and recoup some of its investment this way. In the end Turkey would still have to pay foreign exchange for the energy. However, should the Ozal Government lose power, a new government of a different ideological bent could be elected and decide it did not want to buy energy at commercial rates. Dr Kurt Leunberger, the com-

mercial attaché at the West German embassy in Ankara, says he cannot recall companies in West Germany undertaking such a large single foreign investment for many years.

Other diplomats in Ankara say they believe, although they have no certain knowledge, that Mr Ozal proposed the new scheme for two reasons. First he was concerned about increasing the country's foreign debt at a time when he is trying to convince international creditors that the existing \$19bn or so of outstanding foreign debt is manageable.

The Ozal scheme has the attraction of keeping the foreign debt to a minimum in the short term. Second the nuclear option is a medium to long-term project about which an immediate decision is not vital. Various other energy programmes are proceeding; in particular three thermal power plants which would be funded as foreign investments rather than turnkey trade guaranteed schemes look like being realised.

An Australian concern wants to import coal for a power plant on the Mediterranean coast. This would be a 1200Mw plant and cost \$1bn. There are two other schemes in the pipeline costing similar amounts but using local lignite. Again the Government ap-

parently will guarantee to buy the energy produced at a commercial price, so there will still be a foreign exchange cost, but this will be some way off.

At present Turkey produces 45,000 b/d of oil, which amounts to some 15 per cent of its oil requirement. Oil itself accounts for perhaps up to 40 per cent of total energy needs. The remainder of the 308,000 b/d of oil that is used is imported. Iraq has a pipeline to Turkey through which it is currently pumping nearly 1m b/d. Turkey has the right to buy nearly a quarter of this at preferential rates.

But even so the high cost of imported oil has hit Turkey hard. It was after the two oil shocks of 1973-74 and 1979 that Turkey seriously began to get into debt internationally. It had limited means of financing its inflated oil bill. Even today, imported oil accounts for the equivalent of 40 per cent of import bills and almost 60 per cent of export earnings.

Turkey used to produce more oil — some 70,000 b/d a decade ago. However, an unfavourable and complex system dating back to 1954 rather discouraged further exploration. At the moment out of the 45,000 b/d produced, Shell which has been in Turkey for 60 years, is responsible for 16,833 b/d from 105 wells in 15 fields. The state company TPAO produces 17,907 b/d and Mobil some 6,010 b/d.

Starting in 1980, Turkey began to bring in a new regime which culminated in 1983 in allowing companies to export 30 per cent of their oil at current prices. Mr Mark Moody Stuart of Shell in Istanbul describes the new regime as "very favourable".

There is a maximum tax rate of 55 per cent and a royalty payment of 12½ per cent. Companies can be 100 per cent foreign-owned, although because of the TPAO concession joint ventures would seem more the order of the day.

The clearer ground rules have encouraged renewed exploration. A Swedish company Iskenderun, has been drilling off the Bay of Iskenderun and Shell, Mobil,

Huffco and Atlantic Richfield have all been investigating. One scheme to increase oil is a gas injection scheme using carbon dioxide at TPAO's Batli Raman field. The World Bank has put up \$62m for this sophisticated plan. If it works it could triple recoverable reserves to 1.5bn barrels.

The outlook for huge oil discoveries is not good, however, and Turkey is looking to other sources of energy.

It is thought that there could be three times the known 4m cubic metres of gas reserves in Thrace. If this turns out to be the case this gas could replace the 1.8bn kilowatt hours of electricity Turkey buys each year from Bulgaria and the Soviet Union.

It is more likely that the Thrace gas will feed into a pipeline that is planned to run from the Soviet Union from 1987. The Soviet gas together with the Thrace additions would meet the demands of the greater Istanbul area.

Turkey has some coal reserves which continue to be exploited. In particular, there is a plan to exploit high quality metallurgical coal on the Black Sea coast. There is also the Australian scheme mentioned earlier. Known reserves of lignite are around 5bn tons and present production is only 20m tons a year.

Lignite has only 30 to 40 per cent of the calorific quality of coal so huge quantities need to be mined. It is high in sulphur content and this causes severe pollution.

Despite the problems with lignite, Turkey is planning to expand its use in its thermal power programme. The Turkish Electricity Authority brought into service in 1983 the first of four 350 Mw turbines at the Afşin Elbistan lignite-fuelled power station.

As the other plants are completed they will produce 1.4bn Mw. A further 1.5bn Mw capacity will come from seven plants being built at Mugla and 600m Mw from four other units in Central Anatolia. Eight smaller units are planned for around the country.

In all, the Government has secured some \$1bn towards the cost of its thermal power plant

construction programme out of an estimated total \$2.4bn. Notionally thermal power could supply up to one-third of total energy needed by the 1990s.

It is the plans for hydro-electric power which have really caught the imagination of Turks, however. There are schemes for 13 hydroelectric plants, some of which are under construction. All told, these would add 6,414 Mw to the total 3,200 Mw capacity provided by the existing but mainly small hydroelectric plants.

The centre-piece of the hydro electric programme is the Ataturk dam, which almost amounts to a national shrine. When completed it should have six 300 Mw power units. The dam's rock-filled wall would be 189 metres high, create a lake 817 km square and contain 484 cubic metres of the Euphrates.

The idea is that this project, which is the largest public works scheme ever undertaken in Turkey, would not only provide power, but also irrigate the arid Uria plain in the south-east of the country. This would turn the underdeveloped eastern region into a bustling thriving area and could conceivably double the country's output of cotton, rice, sugar, sugar beet and vegetable oil, and tobacco, much of which is exported to neighbouring Middle East countries.

If the Ataturk dam with its 2,400 Mw capacity (when fully realised) is taken together with two other dams on the Euphrates, the Karakaya, 1,800 Mw and the Koban 1,300 Mw, total power generation possibility will be 5,400 Mw.

Shell estimates that if there is an average load factor of 65 per cent and a generating efficiency of 33 per cent typical modern power station of 1,000 Mw capacity requires a fuel input of 25,000 b/d oil equivalent. In other words these three dams could on average produce 151,000 b/d oil equivalent or half current oil consumption, 85 per cent of which is expensively imported.

The cost of the machinery for the dam appear to be covered. Export credits from abroad, particularly Switzerland, worth \$430m (SwFr 963m) have been forthcoming largely to finance turbines and generators. But the ultimate cost is expected to be \$2bn and not all of this money has yet been found.

Diplomats in Ankara feel that Ataturk will ultimately be built, even if the first 300Mw unit does not come on stream until 1991.

When it is completed Ataturk could raise tricky diplomatic issues with Iraq and Syria, both of which depend on the Euphrates for water to some extent. Iraq has apparently swallowed the misgivings about the scheme and has been assured of a regular flow of at least 500 cubic metres a second, but it is unclear whether Syria will be happy with the dam.

Turkey has enormous hydro-electric possibilities. So far it has tapped less than 20 per cent of its potential sources. However, despite this and the irrigation possibilities it seems unlikely because of the high start up costs that Turkey will ever depend entirely on developing hydroelectric power to the full (it would require another 250 plants to do this).

Instead, Turkey's need for energy could be so great that whatever the quays it will be necessary to build nuclear plants.

OUR NAME IS USED TO BUILD CONFIDENCE

Anadolu Bankasi is the only commercial bank with 25 billion TL capital, owned by Turkish Treasury itself. Our international connections and contacts in the Middle East, Europe and America are extensive and growing. We have representative offices in Frankfurt, Paris, Rotterdam and Jeddah.

Anadolu Bankasi has a great potential to issue letters of guarantee towards tendering departments in The Kingdom of Saudi Arabia.

It is our motto "to back Turkish Exporters and Contractors".

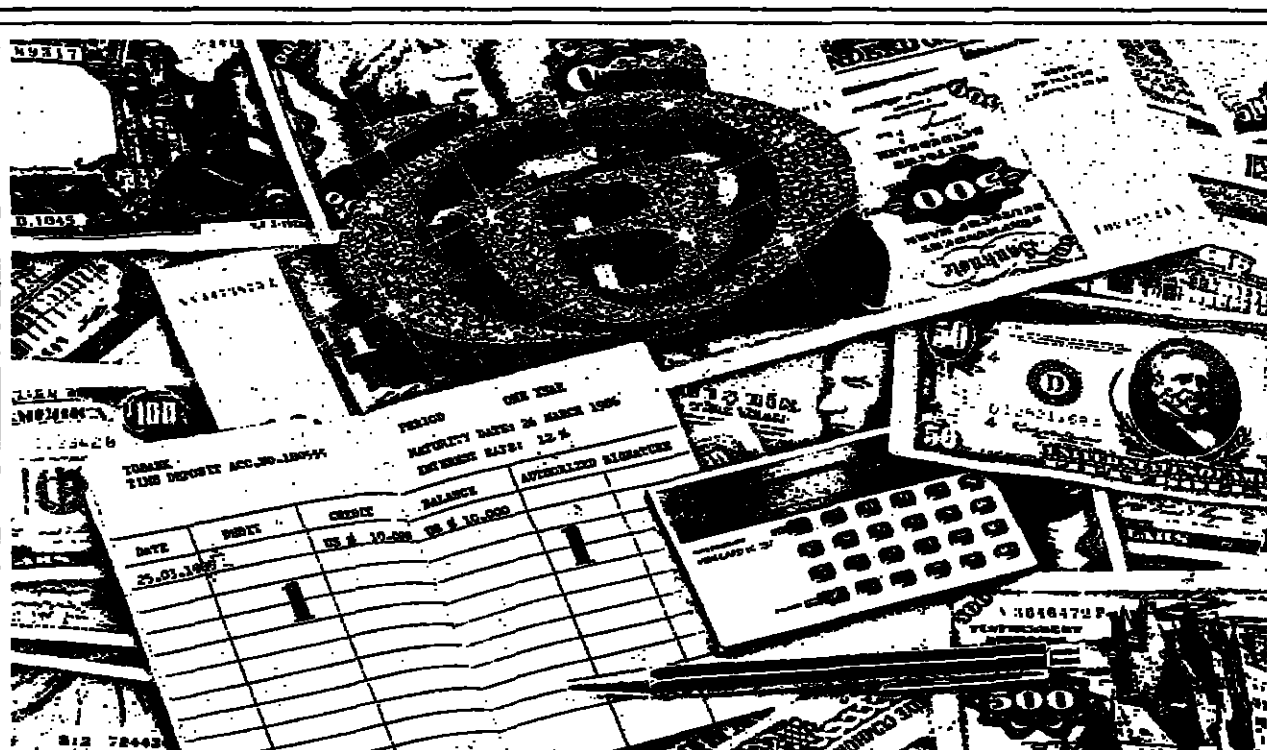
ANADOLU BANKASI

"Backing Turkish Exporters and Contractors"

HEAD OFFICE
Büyükdere Cadde
Maslak, Mevlanay No. 45 & 46 LEVENT/ISTANBUL
Tel: (1) 178 16 20 (20 LINES)

REPRESENTATIVE OFFICES
PARIS
54 rue de la Vierge 75008 France
Tél: Anps 841283 /
Tél: 1-269089

ROTTERDAM
Kruisade 67 3012 EG Rotterdam HOLLAND
Tél: 26064 anrol nl
Tél: 10-13537



New economic regulations promise new opportunities in immense economic potential of Turkey.*

Töbank offers you to evaluate all these new opportunities with 26 years of banking experience and 121 branches in Turkey plus two Representative Offices in Zurich and Frankfurt.

Please, write or call Erol Akyazan, Asst. General Manager, for Töbank's realistic advices on complicated financial matters with the resources to acquire the practical implementations to arrive at reasonable and profitable solutions precisely right for you.

TÖBANK
"From Eurasia to five Continents"

Erol Akyazan - Töbank Atatürk Bulvarı 163 ANKARA
Tele: 43 158 toba - 42 582 obgn Tel: 25 39 37 - 18 08 73

(* The United States, Ambassador to Turkey Mr. Robert Strauss-Hupe gave a special address to the Foreign Investment Association in Istanbul. The Ambassador labeled Turkey as follows: "Turkey is a land of opportunity to be discovered". (March 1985: in Istanbul, Turkey)

Discover Turkey through Kavala Group of Companies

YOUR PARTNER IN TURKEY

- | | |
|---------------------------------------|---|
| REPRESENTATION AND CONSULTANCY | energy, mining/metallurgy, chemical industries, transportation/communication equipment, medical equipment, agro-industry installations |
| TRADING | tobacco export; distribution of imported electronic equipment, special transactions |
| TOURISM | special interest tours, packing, leasing and time sharing opportunities |
| INVESTMENTS | joint venture opportunities in energy, tourism, agro-business, mining and electronics on the basis of assets owned or to be purchased |
| REAL ESTATE PROMOTION PROJECTS | clinics for office and residential buildings, TEKIMAL-SINATES CO. management of tourism and real estate promotion projects, KAVALA CONSTRUCTION |
| MANUFACTURING CONSTRUCTION | extraction of lead and zinc, MENKA INC. |

Head Office: Kavala Group of Companies, 144 75 02-03 Tel: 22 06 02-03
Contact in U.S.A.: Kavala Group of Companies, 1211 Connecticut Avenue, N.W., Washington D.C. 20002
Tel: (202) 896-1085 Telex: 904122 KAVAT UR

OUR NATIONWIDE ORGANISATION WILL ALSO BE AT YOUR DISPOSAL

هكذا من الأصل

Industry

Formidable barriers to industrial action

ON MAY DAY, a front-page headline in one of Turkey's newspapers read: "Ozal indifferent to labour threats." The reasons for this dismissive attitude are not difficult to surmise, despite the fact that inflation has eroded worker's incomes by up to 40 per cent over the last five years.

The so-called threats had been made by Turk Is, the country's biggest confederation of trade unions that is widely regarded, by dint of its pro-government sympathies, to have few teeth.

The campaign by Turk Is amounted to a series of protest rallies throughout the country rather than any form of industrial action. It was a plan that was said to have been drawn up by Mr Sedik Side, the movement's general secretary who, the critics point out, was the Minister of Social Security in the Government that passed all the restrictive labour legislation in the first place.

Despite its apparent passivity, Turk Is, which has traditionally represented vast numbers of state sector workers, is the only one with a serious role in wage bargaining. Its right-wing and religious counterparty — Milli Hak Is — have little support and the left-wing Disk movement has been banned for alleged involvement in the terror and anarchy of the late 1970s.

About 1,000 Disk members are still on trial, the public prosecutor having requested the death penalty for 76 of them. Most of those on trial, however, are out on bail and members of the executive committee were released last September after being four years in prison.

Turk Is has a membership of almost 200,000, a large majority of whom are state workers who make up almost half the workforce employed outside the agriculture sector. Many of its members, though, are former Disk supporters who see Turk Is as their only means of representation and hope to radicalise it.

The newcomers from the left are more likely to distribute rank and file criticism of the Turk Is leadership which has resulted in a more active line from the top and the movement's withdrawal last month from the Supreme Arbitration Board, the tripartite government-dominated body that, since

1980, has decided the terms of labour contracts.

The Turk Is leadership was due to meet in Bursa on May 12 to decide a plan of action after the breakdown of talks with Mr Turgut Ozal, the Prime Minister, in which he turned down requests to review the law on strikes and lockouts, halt government intervention in wage bargaining and institute other improvements.

It is highly unlikely that the meeting will result in more aggressive labour tactics in the way of widespread strikes which, contrary to opinion from abroad, are not forbidden.

Labour Relations

STEPHANIE GRAY

Mr Mustafa Kalemli, the Labour and Social Security Minister, proudly points to the 1982 constitution. "As can be seen, the constitution of the Republic of Turkey principally adopts that trade unions and collective bargaining are the foundation stones of labour life and that the rights to strike and lock-out are the two indispensable elements of a free collective bargaining system."

"I can safely be said the Turkish labour life can now favourably be compared with the level enjoyed by many industrially-developed countries," he says.

However, the list of conditions under which industrial action is proscribed is a formidable one — a result of the government's determination to eliminate union militancy that was part of the dark days of the late 1970s.

The constitution declares that trade unions "shall not engage in activities that may endanger the indivisible integrity of the state, with its territory and national sovereignty, the Republic, national security, public order, general peace, the public interest, public morals and health."

Those who shall they pursue a political cause, engage in political activity, receive support from political parties or give support to them and they shall not act jointly for these purposes with associations, public or private, organisations and foundations."

If any of these conditions cannot be interpreted to declare a strike illegal, the authorities may and do use a technique of enforcing continuing postponement of action.

Turk Is unions, however, managed to organise two strikes, the first since 1980, last year after the resumption of collective wage bargaining in May. Neither of them was very important or successful.

The resumption of collective bargaining brought wage settlements in the public sector of between 25 and 35 per cent — figures considered by workers as inadequate at a time when inflation is running at between 50 and 60 per cent. The increases were expected to pave the way for moderate private sector settlements but those in the private are often around 50 per cent.

Well-run companies, particularly in the metal and chemicals industries have been quite generous, metalworkers gaining rises of 64 per cent last year.

However well or badly paid, most Turks are more than happy just to have a job. Unemployment is estimated to be at least 20 per cent. The figure would be much larger if underemployment is taken into account.

The total would spiral if the conscripts who make up half the 550,000-strong armed forces were included. These conscripts receive pitifully low pay that amounts to less than the price of a packet of cigarettes a week.

Despite the pressures of much lower standards of living, the re-emergence of radical union activity still seems remote — certainly while the trial of Disk members continues. One theory is that the trials will continue for as long as possible as a means of making left-wing militants uneasy.

When it is considered safe enough, the theory goes, probably in a year or two, some sort of compromise will be reached with say, a Disk member first being sentenced to five years in jail and then released, his having been found to have already served his time.

In the meantime, international labour organisations have maintained their interest in and criticism of Turkey's labour policies. They also continue to support the families of jailed trade unionists.

TURKEY 11

PROFILE:

TURKISH AIRLINES

Overseas routes

bring in profits

TURKISH AIRLINES (THY) is beginning to emerge from the shadows that pulled down its safety record in the mid-Seventies and has sharply increased its load factor. The airline is now on a profit plateau, albeit at a lowish level.

Mr Ucal Dalgic, head of public relations at THY, admits that as a result of the DC-10 crash in Paris a decade ago the airline suffered. "People were wary for some time," he said as the airline became linked in the minds of many air travellers with a poor safety record. THY, however, was at pains to point out the crash was not its responsibility.

In 1980, the company made a loss of TL 1.9bn (£3.2m), a further loss in 1981 and then a small profit in 1982. There was a profit again in 1983 of TL 2.8bn (£4.4m) and then a substantial increase in profit last year to TL 27bn (£42m). The amount of foreign exchange earned for Turkey in that year was put at TL 254bn (£400m).

The airline now flies to 36 international destinations and 16 domestic ones, using a fleet of 30 aircraft. This includes one DC-10 and 9 C-95s, as well as a number of Boeing 727s, and some Canadian De Havilland propeller-driven Dash-7s. The fleet will be augmented later this year by the addition of four Airbus Industrie A-310s.

These latest recruits, bought after struggle between Air France and Boeing, are expected to fly nine international destinations.

It is on international routes that Turkish Airlines is making its profits, although there is no official breakdown of revenues. For many destinations THY have just one flight a week. Places like Hamburg and Frankfurt in the West and Abu Dhabi in the East warrant several flights each week.

The large number of Turkish workers first in West Germany and many Middle East countries form the backbone of the airline's trade.

Service on the international flights is adequate, and getting through Istanbul now that the new terminal has opened is not the nightmare it once was. Customs procedures have eased a little and there are not so many armed men in evidence. Getting back into Istanbul International Airport can be a problem as passengers and tickets have to be checked on the approach road. But taxis are increasingly just waved on. The domestic network, however, is in need of an overhaul. It is virtually impossible to go to any northern airport from Istanbul without passing through Ankara, although Ankara is more southerly than Istanbul.

Similarly, to go to Antalya in the south from Ankara, you have first to go north to Istanbul, except for one flight which goes direct, but only once a week and virtually in the middle of the night.

Western diplomats complain that few international airlines ever fly to the Turkish capital. They blame THY for the withdrawal of a very popular Swiss air link between Ankara and western Europe.

Domestic flights are invariably full and unless one books early it is often difficult to get a seat. This partly reflects, according to Mr Dalgic, the poor road network in Turkey. Roads are bumpy and ill-repaired so most people travel by air. For this reason passengers are kept low. It costs £30 to fly to Istanbul from Ankara — a 40 minute flight.

This compares with £20 for a first class sleeper on the overnight train to Istanbul from Ankara. By the time you have drunk raki and had a good meal of borek, chicken chasseur and stuffed aubergines, you probably will get little change out of £30. The train journey takes 12 hours because it has to keep stopping, and pulling into sidings to let other trains pass.

Meanwhile, the airline is planning to introduce its own first-class service. Turkish Airlines has promised a good look at its domestic timetable, not least in preparation for the expected privatisation of the airline. It will be the international operations, however, which will come under the closest scrutiny.

Dr Namik Kemal Kilit, the head of the Foreign Investment Department of the State Planning Organisation, feels that ideally Turkish Airlines should link up with some other international carrier to get the maximum benefits from the available traffic.

He feels that there are three growing sources of customers: Middle East travellers to Turkey, both for business and holidays, Turkish workers in Western Europe and the Middle East and the growing tourism trade.

Last year Turkey had only 2m tourists. There are some flights into tourist areas such as Antalya, Dalaman and Izmir, but not enough, and in advance of privatisation for which a date has been set a closer look will be needed at scheduling.

Stewart Daeb

Midland in Turkey



If you are seeking to develop your international trade with Turkey, Mr Cafer Okray, adviser to Midland Bank Group, is available for consultation. Mr Okray, who is based in Ankara, is well known in Turkish banking and financial circles, and the retention of his services reflects the faith of Midland Bank in Turkey's economic future

In Ankara:
Cafer Okray
Cinnah Caddesi 98/5,
Cankaya, Ankara
Telephone: (41) 380257
Telex: 42647 OKRA TR

In London:
Bernard Kerr
Middle East, Africa &
Eastern Mediterranean Region,
Midland Bank plc,
International Division,
110 Cannon Street,
London EC4N 6AA.
Tel: 623 9393 Telex: 888401



Midland Bank International

Midland Bank plc, International Division, 110 Cannon Street, London EC4N 6AA

MIDLAND BANK OR GROUP REPRESENTATIVE OFFICES AND BRANCHES OVERSEAS:
AMSTERDAM, ATHENS, BAHRAIN, BEIJING, BOGOTA, BOMBAY, BRUSSELS, BUENOS AIRES, CAIRO, CALGARY, HONG KONG, MADRID, MEXICO CITY, MOSCOW, NEW YORK, PARIS, PIRAEUS, SAO LUIS, SAO PAULO, SINGAPORE, SYDNEY, TOKYO, TORONTO AND VANCOUVER.

Tougher times as import controls ease

THINGS ARE looking up in Turkey's motor industry, once regarded as a kind of white elephant produced by the excessive protectionism of the 1960s and 1970s. Sales are up and several major investments, notably in diesel engine production are well under way. Two new types of passenger car are expected to appear on the market within the next six months.

But in the short term, the industry, especially the passenger car sector, is feeling the chilly breeze of competition. "We are fighting a tooth and claw battle with the importers," says Mr Can Göknil of Oyak Renault. "It is an all out struggle. We shall see who wins."

The easing of import controls is a typical feature of Mr Ozal's economic policies, designed to spur them to match international quality standards. The competition is not unfettered. There is a surcharge of between 50 and 100 per cent on most imported vehicles, making them considerably more expensive than Turkish produced ones. Even so they find ready buyers.

Jeep and Audi diesel motors have found many purchasers in the big cities. Diesel engines mean—at least for the time being—much reduced costs per kilometre for the driver, even if they also imply difficulties in running the car during the coldest months of the Anatolian winter.

In historical terms, imports are so far running at relatively low levels. In 1984 Turkey imported 8,849 passenger cars at \$84m, 781 trucks at \$47m, and 2,500 tractors for \$38m. These figures are well below those which generally prevailed right up until 1980 (in 1978 for example Turkey imported 19,000 cars).

As a result, Mr Ahmet Binbir, president of the Turkish Automobile Industry Association, claims that the industry has not

been really hurt so far. But the worries for the future are undoubtedly there. "We are scared of the Japanese," says Mr Binbir, "not of the other producers."

Currently most of Turkey's 22 motor industry businesses are operating close to capacity, with a few exceptions such as TOE, a partially state-owned enterprise which in March this year managed to produce only 13 tractors, 40 trucks, 4 large trucks and 1 lorry.

Otosan, of which Mr Binbir is vice-president, has stopped making the Anadolu—Turkey's first passenger car and is in the

Motor industry

DAVID BARCHARD

process of moving up-market and manufacturing Cortinas. The first of this new Turkish passenger car model is expected to roll off the production line in mid-September.

A month earlier, Renault will have begun deliveries of its new model, the Renault 9. "Demand for local passenger cars is still very high," says Mr Binbir. "Only about 150 vehicles are ever carried over from one month to the next."

Because of the high cost of money, Turkish motor businesses are faced with something of a dilemma when planning for the future. Unit costs continue to escalate because of the cost of finance and imported inputs. "But anyone who doesn't make investments for the future now," says Mr Binbir, "risks losing the market. So you have to press on. But if you invest, then you lose money."

Some sectors are being hit for other reasons. Last year was a difficult year for Otomarsan, the makers of 0302 Mercedes buses in Turkey. Though production has been relatively low—about 1,500, expected soon to rise to

2,000 in a capacity increase—Otomarsan has been one of the star performers in the Turkish motor industry, often finding its domestic orders competing with strong demand from foreign markets.

In 1984, however, its exports slackened, and in the first quarter of this year, they slumped from 123 in the same period of 1984 to only 28. Otomarsan are working on a major new investment in Aksaray in central Turkey where trucks and buses and light diesel engines will be manufactured in a complete package deal, thrashed out by Mr Ozal three years ago in an attempt to set an irrational investment, inherited from 1977, on a sound basis.

Turkey has several engine manufacturers at the moment led by BMC of Izmir, but including MAN (with plants at Ankara and Konya) as well as Otosan and Tofas. Local content is around 65 to 70 per cent. Diesel pumps are still mostly imported for the engines, though Bosch and CAV are at work trying to produce them in Turkey.

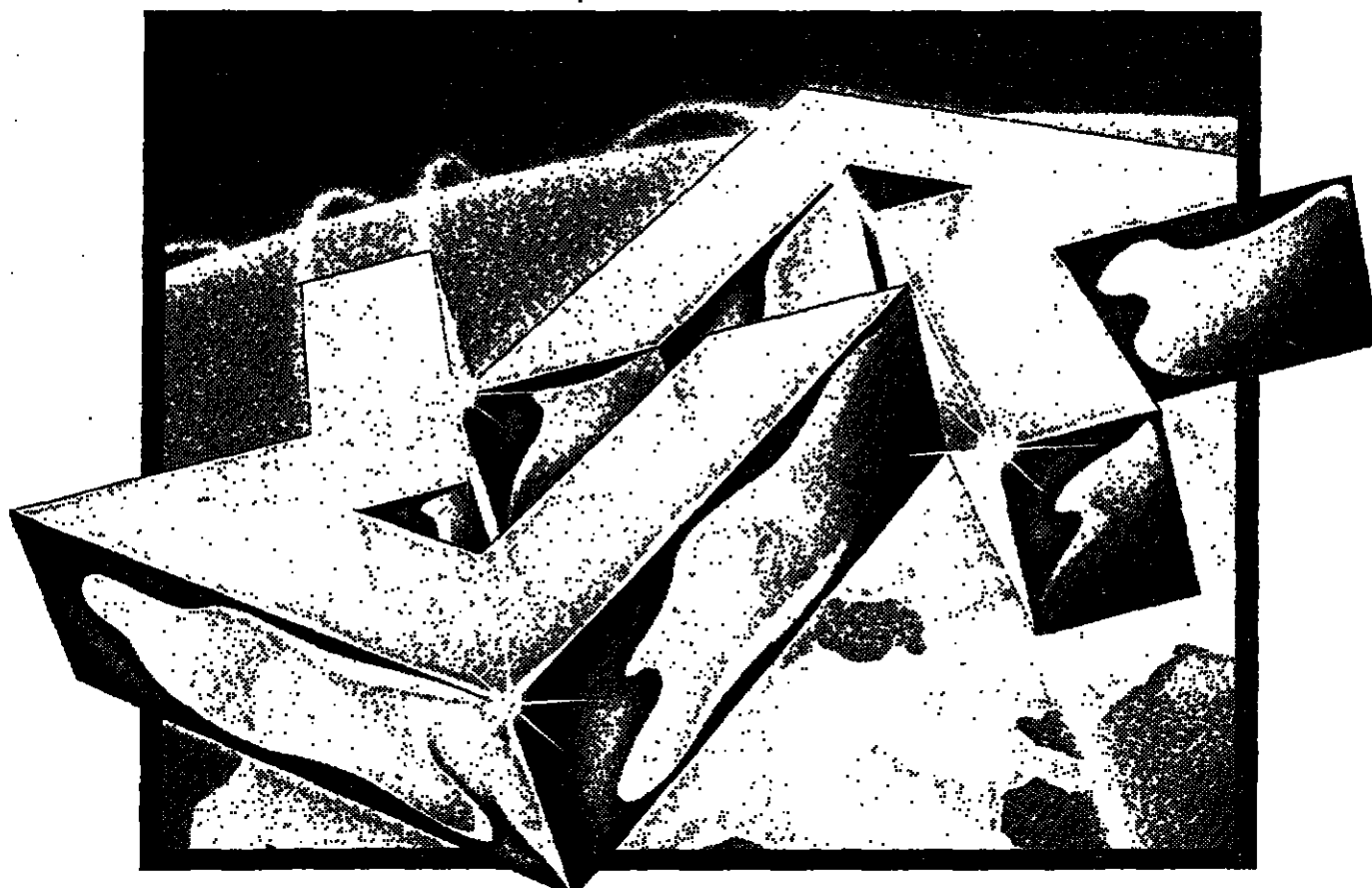
BMC, which two years back switched to production of Volvo engines and trucks, has been somewhat unhappy about another Government proposal—that diesel engines be imported from Japan into Turkey to enable taxi drivers to convert their cars to diesel if they wish. The feeling is that local producers could and should have been allowed to participate in the conversions.

The revival in passenger car sales has been under way since 1983 and is probably in part a response to consumer upturn in inflation which began that year. Many Anatolian buyers have to borrow heavily at around 6 per cent a month to buy a car.

Mr Binbir and the manufacturers would like to see loan companies emerging to help finance purchases. They believe that sales would then double. However, since such a step would probably give a mild boost to inflation, the Government has not so far proved sympathetic.

In the longer run, the industry continues to hope for large-scale foreign investment which would enable the major producers to switch production to levels at which the industry would cease to be a "redneck venture" and might be a serious competitor on international markets. That still seems some way off, even though a few exports are being made.

MEPA means better business with Turkey



MEPA is a highly successful marketing organisation owned by Turkey's biggest private commercial bank.

We are amongst the largest and most efficient exporters of Turkish products. We're also the best people to talk to if you want to open up the Turkish market for your goods. Especially as our parent, Türkiye Is Bankasi is able to provide trade finance.

And whether you're doing business as an importer or exporter, you can rely on the important extra quality we bring to all our dealings — dependability. It stems from our financial strength, our modern management techniques, facilities, and

our experience in handling a huge variety of goods. We have marketed everything from textiles to tractors, furniture to foodstuffs, for over 100 companies. Last year our export turnover alone increased 306 per cent to US \$118 million. This year our projections are for US \$250 million.

More business and better business — that's what MEPA stands for. Whichever direction you want to trade in, find out more about us today. Send for our information brochure 'Portrait of Success in International Marketing' Or simply start talking business right away with The General Co-ordinator,



CENTRAL MARKETING CORPORATION

Let's talk Turkey!

Istanbul - Turkey: Telephone: (90)-1-160 2871, 160 3481, 161 1199. Telex: 26 606 meap tr
in Algeria, Egypt, Iraq, Iran, Pakistan, Saudi Arabia and Switzerland.

IBS A.S.

International Business Services

We assist the investor and trader with:
opportunity evaluation
representation
project development and promotion

David Tonge
Telephone 133 0345, 140 4715
Telex 26789 IBS tr

Bronz Sokak 1/4
Basari Apartment
Macka, Istanbul

Strong companies choose strong partners. They choose Penta.

Penta know-how and know-who in international trade.

- Textiles, ready-made garments
- Chemicals • Plastics • Fertilizers
- Metals, industrial minerals
- Iron and steel, aluminium profiles
- Wood products

THE SPECIALISTS IN BARTER - COUNTERTRADE

Penta Dış Ticaret Ltd.

Cumhuriyet Caddesi Kat: 5, 2.
Etiler, Beşiktaş
Tel: 1310/12 P Lines
Telex: 22196 penta tr-25882 penta tr

PENTRADE INC.
1411 Broadway, Suite 1203 New York, N.Y. 10018 U.S.A. Phone: (212) 332-0667-332-0774 Telex: 275833 penta tr
PENTRADE S.A.
8, Rue Voltaire 1201, Geneva Switzerland, Phone: (022) 495440 Telex: 27660

TURKEY 12

PROFILE:
NUH KUSCULU

On the offensive for exports

NUH KUSCULU has been president of the powerful Istanbul Chamber of Commerce since 1979. The Chamber is 109 years old, and as its president puts it "very cosmopolitan" with more than 100,000 members active in 80 different sectors, but mostly oriented towards export markets.

The name "Commerce" is slightly deceptive. The chamber includes a fair sprinkling of industrialists as well as traders.

Mr Kusculu took over the job at a time when Turkey's economic life was virtually paralysed by the crisis of the late 1970s in the country. Since then he has seen steady recovery and his members going on to the offensive for new export markets.

In the Turkish business world he is seen as a staunch supporter of the Ozal reforms. Several other key positions are occupied by critics of the Prime Minister, including the national presidency of the Union of Chambers of Commerce and Industry. Mr Kusculu admits to having worked hard after the 1980 military take-over to persuade Turkey's new rulers that Mr Ozal's reforms had to continue.

However he continues to press the Government to go further. "We need proper export finance services and export insurance," he says. "And interest rates should be determined by market forces, not by the central bank."

He is also an advocate of a shake-up in the Turkish banking system. "The banking law isn't fully adequate yet," he says. "The system should be more fully under the control of the central bank and the banks should not have investments outside their portfolio holdings, and their shares should circulate in the market."

Mr Kusculu was born in Kayseri—whose merchants are traditionally renowned for their shrewdness—in 1932. His father had a small glass dealing business and Mr Kusculu was educated at the local commercial college. Subsequently he went on to study in Glasgow, and eventually went into the family glass business.

Within a few years, he realised that he was handling 45



Mr Nuh Kusculu, president of the Istanbul Chamber of Commerce

per cent of the Turkish glass business and decided that the time had come to lobby other dealers to go into production against the giant Türkiye Is Bankasi which controlled most glass manufacture in Turkey.

"I was like Don Quixote attacking the windmill," he recalls and then smiles, "but I succeeded."

By 1969 preparations for a new enterprise called Anadolu Cam Sanayi were under way and production started in 1973. Mr Kusculu mobilised Turkish and international partners for the venture, including a 10 per cent stake from the IFC.

Within a few years, the plant was exporting \$30m a year of glass and bottles. Mr Kusculu, however, did not rest on his laurels but went on to join Nasas, an Istanbul-based aluminium manufacturing concern belonging to the Anadolu Endustri holding group.

In 1978 he became vice-president of the Istanbul Chamber of Commerce and the following year, president. Since then, he has spent 95 per cent of his time working for the chamber.

A mild-mannered man who argues fluently and in detail, Mr Kusculu passionately believes in the idea of Turkish full membership of the European Community.

He thinks that Turkey should have lodged a pre-emptive application in 1973 "but instead the Ecevit Government decided to freeze relations because they said the EEC was not giving enough aid."

Pressed about Turkey's commitment to Europe, Mr Kusculu says simply "Turkey is sacrificing a lot for the safety of Europe. Why should we be keeping 800,000 men under arms?" In the short term, however, he thinks Turkey's major priority is to invest in new areas for export markets, though he admits that the investment climate is still difficult.

David Barchard

PROFILE:
SAHAP KOCATOPCU

Champion of finance for industry



Mr Sahap Kocatopcu, president of the Istanbul-based Association of Businessmen and Industrialists

In the Cement Corporation, before going on to head the Turkish Glassworks Corporation.

It took the offer of Russian technology in the 1980s to unlock a series of agreements with western countries. By 1984 the Turkish Glassworks was active in all fields of glass-making and its exports had reached \$130m.

Long experience in the state sector has given Mr Kocatopcu clear views about how Turkey should proceed with privatisation.

Twice named as Minister of Industry (by the military governments of 1964 and 1980), Mr Kocatopcu's political achievement was to help set up the Confederation of Turkish Employers, TISE.

Both employers and minister ended in disagreement—in 1961 with the maverick Islamic politician and advocate of state industrialisation, Necmettin Erbakan who wanted to set up a motor car industry in Turkey without foreign investment.

"I went back to a number of board memberships," says Mr Kocatopcu. "But I preferred to be as free as possible for my garden."

Now his chief concern is securing adequate finance for industry. "Profitable firms are going bankrupt because they can't find running capital," he says. He estimates the volume of industry's bad debts to the banks at anything between TL 400bn and TL 1,000bn (\$755m to \$1,885m).

He thinks there are extenuating circumstances for some firms—a retrospective change in exchange rate risk rules in 1978 and the effects of politically-motivated unionism before the coup.

Under strict supervision—Tusad has recently published its 10 Commandments for state aid to industry—he thinks there is a case for state government help.

D.B.

Nearer a Middle East supermarket

Agriculture
STEPHANIE GRAY

THE SIGHT of dozens of women hauling huge loads of fuel along Black Sea coast roads is enough to upset even the mildest feminist. Especially given that the entire male population appears to be concentrated around card tables in village tea shops.

Not only do women do most of the carrying. On the Black Sea, as everywhere else in Turkey, they make up the vast majority of farm workers, who account for the country's working population.

Armed with the most elementary of tools, they make a massive contribution to agricultural output—some 25 per cent of Turkish exports. The figure is much higher when processed food is taken into account. However, official statistics do not separate this production from overall industrial output.

If mechanisation has been slow to come to Turkish agriculture, so has privatisation—along a goal of several governments—of parts of the state monopolies that dominate the sector.

It is in the tea and tobacco industries, though, that progress has been made. In 1984, tea was granted earlier this year for competition with the 45 plants on the Black Sea which are run by the Turkish Tea Board.

The state enterprise pays about 3,000 small holders no more than TL 101 a kilogram and sells the highest quality leaf for TL 2,500. Thus the potential for competition is considerable. Prospects are particularly enticing because of the huge growth in domestic tea consumption.

According to Mr Hamit Vanli, director of the Tea Research Institute in Rize, Turkey has experienced a similar phenomenon to that in India where the domestic market has left little surplus for export. The industry, he says, has had trouble keeping up with demand.

Ten years ago, production was 30,000 tons. Last year it reached 111,000 tons, only 500 of them for export.

The potential in tea production has already brought in two private Turkish companies which are building factories. The British multinational, Unilever, is also said to be very interested and has sent a team in to evaluate prospects.

The problem of extricating

the tobacco industry, and its total 3m employees, from the grip of the unwieldy state monopoly, Tekel, is more difficult, though it has, since last year, been exposed to competition from foreign cigarette brands.

Subsidised producer prices, and the fact that Tekel has always been obliged to buy the entire crop, regardless of quality, have led to cultivation of poor leaf which should have been replaced some time ago.

Dealers complain of improper use of fertilisers and irrigation, which increase yields at the cost of quality. Government officials regularly burn crops in front of farmers to try to convince them of their false economies.

Given these constraints and the fact that Tekel must by law maintain job numbers at its factories, it is unlikely that any private company would want to take over the plant, especially as some of them are very old. Tekel is building four new factories, which could be sold to the private sector and Rohmann, the big tobacco multinational, will, probably, ultimately want to buy or lease one of them.

The company has set up an experimental plant in the underdeveloped east of the country to grow Virginia tobacco to make cigarettes from the locally grown oriental variety for export.

Eastern Turkey is also where efforts to increase livestock production are concentrated. Farmers have been persuaded to breed cattle and sheep rather than the traditional goats—first because goats were causing considerable erosion and second for meat exports to Iran and Iraq just over the border.

The exports are an important source of foreign exchange but government revenues have not increased at the rate expected mainly because of the smuggling of large numbers of sheep and goats across the eastern frontiers appears impossible to eliminate.

Schemes designed to train farmers in animal husbandry, especially dairying, have had mixed results. First there is the problem of shelter and feed for five months a year through the freezing winters. Second, according to foreign advisers, the Government has failed to supply the sort of technical back-up necessary to ensure long-term success.

The inadequacy of the support system has not gone unrecognised at the Ministry of Agriculture. Mr Rusnu Dogan,

the Ozal lieutenant whose appointment as minister signalled a higher priority for the long-neglected industry, believes that a lack of co-ordination between various units within the ministry has been largely to blame for the poor results.

Apart from the State Economic Enterprises involved in agriculture, the ministry operated through 11 Ankara-based units that were organised separately throughout the country. The bureaucracy has now been whittled down to five general directorates.

The changes are only just beginning to make themselves felt at provincial level and are causing some concern and uncertainty among farmers.

Advisers in the field, however, believe the rationalisation of the services has been soundly based and will result in significant benefits before the end of the year.

In the cities, embassies and foreign businessmen interested in agribusiness investments are already reporting much swifter and more efficient lines of communication with officials who have the power to take decisions.

The streamlining of the ministry should result in a much higher degree of interest from both Turkish and foreign private enterprise in the country's vast food processing potential, which, despite much promotion, has been much slower moving than it should have been.

Mr Dogan is not unduly perturbed by the disappointing results. He sees them as a

logical consequence of Turkey's loss of credibility during the financial crises and political upheavals of the 1970s.

If the outside world becomes dissatisfied with a country, it is not an easy process to convince foreigners to come in again. Foreign investment on any significant scale will take years to achieve," he says.

He believes they're going to come round... They'll see the profits that can be gained from the regional and local markets. We're open to everything and we have a large population."

Turkey grows every crop imaginable except coffee. It is among the 10 countries in the world that is able to feed itself. Indeed good surpluses are so great that a great deal of the production goes to waste.

According to one diplomat in Ankara, almost 80 per cent of the output goes to waste.

The country is in great need of cold store facilities, quality control measures, sorting equipment, canning and other processing plants and marketing expertise.

Its need will be even greater when the giant Ataturk dam on the Euphrates is completed somewhere around the end of the decade. The dam is being built with the prime object of irrigating the desolate Urfi plain in the south-west and the predictions are that it will double agricultural production.

If the forecasts are correct and if the relevant infrastructure is in place, Turkey may finally be on its way towards its aim of being the Middle East's supermarket.

CONTAINERS, CARGOES AND PLANT GOODS ON BOARD

(Delivery through Bills of Lading)

At : Barcelona, Marseille, Livorno, Venezia, Trieste and Interland, USA, UK, North Sea. Ports — service available To : Iran and Iraq destinations Via : Mersin Port, Turkey Wish : Turkish Cargo Lines RoRo/Ship and Mertrans, on carriage, service

MERTRANS

Mersin Transport A.S.

SERVING IRAN AND IRAQ SINCE 1975

International Transport, Shipping and Insurance Agent

Contractor and Container Operator

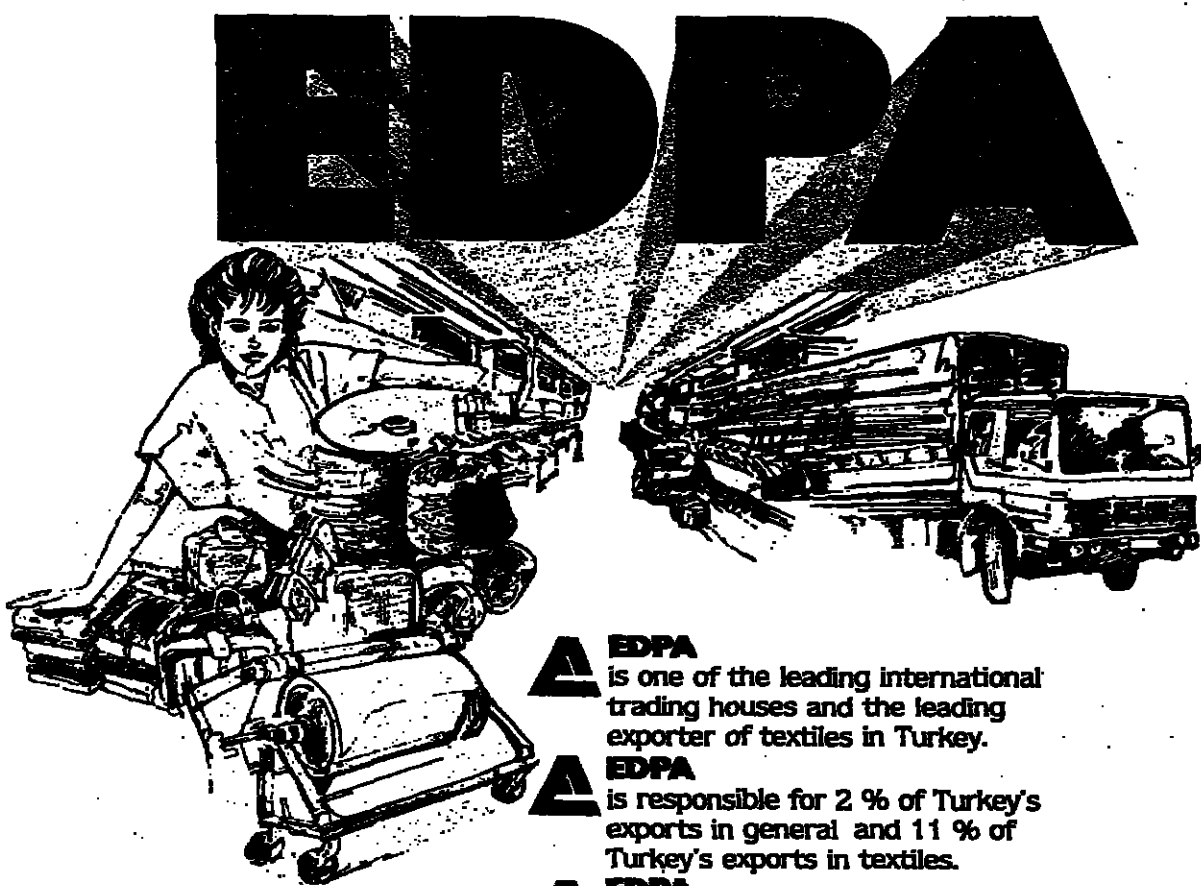
Transit, Customs Formalities, etc.

Your needs or problems can be solved. Please contact:

MR COSTANTE/MERTRANS, MERSIN, TURKEY

Telex: 67114 INTR TR/2343 CIRO TR

Phone: (741) 14074



EDPA is one of the leading international trading houses and the leading exporter of textiles in Turkey.

EDPA is responsible for 2 % of Turkey's exports in general and 11 % of Turkey's exports in textiles.

EDPA represents 150 top manufacturers of Turkey. Their product lines combined ranges from textiles to electrical appliances, from iron & steel products to food stuffs.

EDPA has a young, ambitious and hard working staff to deal with different products in their special fields.

EDPA in 1984, has increased her export volume over 76 % and provides services to over 1200 customers, in 40 countries, across 5 continents.

If you are interested in Turkish exports/imports get in touch with EDPA and enjoy the benefits of superior service.

EDPA PAZARLAMA A.Ş.

HEAD OFFICE: EDPA PAZARLAMA A.Ş. Hüseyin Gerede Caddesi 126 Tepeköyü İstanbul - Turkey. Phone: (1) 141 65 10/11-12-13. Telex: 22006 edip tr-28008 edip tr. AKED A.G. Clara Strasse 58 4058 Basel-Schweizland. Phone: (61) 333063 Telex: 63662 aked ch. EDPA U.S.A. Inc. Empire State Building 7804 350 Fifth Avenue New York, N.Y. 10 115 U.S.A. Phone: (212) 714 0644 Telex: edpa 6711408 UW EDPA Deutschland G.m.b.H. Bolker Strasse 69 4000 Düsseldorf Federal Republic of Germany. Phone: (211) 32 06 77. Telex: 8586219 edpa d.

حکومتی من الشیخ

Writers draw on the social scene

ON THE surface, Orhan Pamuk and Latife Tekin, two of Turkey's leading young novelists, appear to have little in common. They come from opposite ends of the social scale — members of classes which, until relatively recently, can have been only dimly aware of the circumstances of the other.

Mr Pamuk, an introverted intellectual, comes from a wealthy Istanbul family. His grandfather made a fortune during Ismet Inönü's great railway expansion programme in the 1930s. He now lives in a book-lined eyrie on the top floor of the modest family-owned building in the middle of the city.

The 33-year-old writer draws on his knowledge of the higher echelons of society for his novels. He is reluctant to talk about his plots, but the first, *Cevdet Bey and his Sons*, contains much detail from own experience. It concerns the fluctuating business fortunes of a powerful family which assumes western habits as it embraces capitalism. He tries to show what he sees as the weakness of Turkish Islamic traditions in the face of Western capitalist influence. Of Turkey's contradictions, he says people "know that they're imitating something but they've forgotten what it is."

His second novel, which translates as *The Silent House*, takes another angle on the east-west dilemma. It is about an intellectual who spends 40 years writing an encyclopaedia which tries to impose Islamic explanations on western concepts.

Many of his friends, he says, have to earn their living by writing — rewriting — encyclopaedias. Before videos became fashionable, he explains, upper class parents, who were "not very interested in reading themselves" were anxious that their children should be able to do so. Expensive encyclopaedias represented one-stop shops of knowledge.

Pamuk's has shifted from the traditional ground of Turkish novels. The history of the novel

MODERNITY and tradition have been at war in Turkish society since the 1920s. Can the country learn to blend its Ottoman and Islamic heritage with its need to catch up with the West? How are intellectuals, universities and women reacting to the changes of the 1980s in Turkey?

In the country goes back only about 100 years. There is no such thing, for example, as a Turkish detective story.

Latife Tekin, by contrast, has dwelt on village life and although not in the mould of the "village writer" she uses rural anecdotes and memories in her books. She is the 27-year-old daughter of a family which moved to the slums of Istanbul from a town in central Anatolia when she was nine.

A relaxed person, she lives with her seven-year-old son in a squat apartment building, back from the coast road along the Bosphorus. She admits that her first book very broadly equates with her own experience. Called in English, *Death Impudent Death*, it tells the story of a migrant family. The father is a steamfitter who made some money on construction jobs in Kayseri and seeks similar work in Istanbul. His pride would not allow him to take lesser construction jobs in the city and, having been unemployed for some time, he gives up entirely and takes solace in Islam.

He tries to transpose the feudal authority he held in the country to the family — now straitened circumstances and loses its respect.

The teenage sons, also unemployed, spend all their time hanging about on the streets of the gecekondu — it means literally set-up overnight — or slums where they fall into a life of crime and violence and come under the influence of the gangs of political extremists who indulged in terror campaigns in the late 1970s.

The political unrest which lasted for 10 years in Turkey is fertile ground for many novelists. But Miss Tekin was the first to concern herself with the waves of immigration from Anatolia to the coastal towns. Her second book is a sociological study of the gecekondu districts. Makeshift dwellings there were regularly demolished during the troubles by the military or the police, though Miss Tekin is careful not to be too explicit about this. One "house" she knows was demolished and rebuilt 38 times.

Full of black humour, the book, which translates, inadequately as *Prostitute Kristina and the Hill of Rubbish*, examines the role of women in protecting their homes from the bulldozers.

The writer's third book will deal more directly with political events since 1975, and 1980 which resulted in the last military coup.

From their different backgrounds and standpoints both young novelists thus are dealing with the conflicts and contradictions of their country, although Mr Pamuk would prefer to write novels for their own sake rather than as social interpretations.

Neither of them is particularly optimistic about Turkey's immediate future. Miss Tekin says she still experiences fear, despite the vastly more relaxed social conditions. Still, both admit that the conflicts, past and present, are ideal material for contemporary writers.

Stephanie Gray

Different ways of saying freedom

WHEN TURKEY'S soldiers stepped into the political arena in 1984, the Turkish language itself was one of the battlegrounds in which they had to sort out a quarrel.

Educated Turks can pick out within a few seconds of talking to someone, his cultural and political preferences. It is a question of whether you use new words or old words for virtually all abstract nouns. Traditionalists prefer words with Arabic or Persian roots. Anti-traditionalists and the Left use words rediscovered or invented from pure Turkish roots.

For most of this century, the anti-traditionalists have been on their offensive. Almost all Turks would agree that there were originally good reasons for wanting a change. A hundred years ago, educated Turks spoke and wrote what it today called "Ottoman" — a form of Turkish steeped in Persian and Arabic literary conventions and

Language
DAVID BARCHARD

drawing on the entire grammar and vocabulary of all three languages. It was a hybrid language that was literally unintelligible to uneducated people. If a Turk of 100 years ago were, like Rip Van Winkle, to wake up today, he would not only find that Turkey's script has changed (Latin letters replaced Arabic ones in 1928 on the orders of Atatürk), he would be unable to understand the everyday words for the point of the compass, virtually all scientific terms, and even the words for "question" and "answer."

The change — which has of course many parallels in other late modernising countries which have experienced a revolution — came in three phases. Before Atatürk, intellectuals discussed the problems of the language and attempted to simplify it. In the 1930s, Atatürk set up the Turkish Language Academy which worked for the next 50 years coining new words for old.

Finally, in the 1960s and 1970s a new middle class emerged, with pronounced centre-left instincts and a distaste for the traditional expression. The pace of change was gliding.

Turks who spent half a decade abroad would return to find words in daily usage and the newspapers which they had not known existed when they left. So forceful was the speed with which the new forms were adopted that the one foreign authority on the Turkish language has poked fun at linguistic conservatives in Turkey for denouncing the changes with the very neologisms they were supposed to be condemning.

Those who were unhappy at the process tend to make the basic point that the new words "cut young Turks off from their cultural heritage and offer them an unhistorical 'Newspeak' in exchange. Strikingly, professions with a sense of tradition (including both the military and lawyers) have stuck to the old words. Future-oriented ones — for instance advertising — generally prefer the new terms.

The dispute is just cultural. It is also political. The centre-right daily *Tercuman* uses a different vocabulary from that of its left-wing rival *Cumhuriyet*. During the political turmoil of the 1980s, Mr Demirel used a different word for "freedom" from that of Mr Bulent Ecevit. Could this be part of the reason for the two men's fatal inability to disagree? Since 1980, however, Turkey has been searching for a synthesis. *Cumhuriyet's* penchant for neologisms has dropped markedly. Other newspapers have followed suit. One reason may be that the new words are broadly identifiable with the left which is in deep eclipse in Turkey at the moment.

Many Turks favour a policy of "live and let live", letting daily life and time sort out the question of which of the old and new forms are likely to remain in use. But cultural skirmishing continues — suggesting that the left-right feuds which are mirrored in the language could re-erupt.

Under the military, the Government took a fairly cautious line, trying not to offend the sensibilities of either side. Last January, however, the controversy broke out again when the head of the State Radio and Television banned 200 neologisms, most of them fairly widely used, from the air.

Since then Turkish civil servants have had to mull over which words to use for "international", "possibility" and "unusual" — if they don't want to offend the sensibilities of their superiors and colleagues.

Image starts to change rapidly

WALK ALONG the main street of any large Turkish city and you will be struck by the variety of types of women in traditional veil and costume and girls in slacks who would not look out of place in any Western fashion house.

Differences among Turkey's women are more pronounced than those among its men and this is part of the country's rapidly changing image.

Women's rights in Turkey go back to legislation introduced by the country's first president, Kemal Atatürk, in the 1920s. Atatürk believed that "Our women should be more broad-minded, more efficient, and as well-educated as men are if they really want to be the mothers of the nation."

In 1924 he introduced co-education, and in 1934 amended the Constitution to give women the right to vote. In the meantime, the Civil Code of 1926 had widened women's civil rights. All this was a reaction to the part which women had played

Women
BERNA UGURLU

in the Turkish War of Independence and was seen as the chance to give women the right to partake in the benefits of the society that they too had fought and died for.

Since then, however, it has been much harder to get long-standing social practices to change.

Turkish women are still reluctant to leave their children with strangers. Though for economic reasons — many wives go out to work in big cities, 66 per cent of female civil servants entrust their young children to relatives (usually a mother-in-law). Creches remain an upper middle class preserve.

Six million working women make up the backbone of Turkish agriculture — but it is precisely in the countryside that ideas of women's place in

society are slowest to change. Women are still expected to devote themselves to heavy housework, menial chores, and childbearing while acting as an unpaid worker in the fields.

Still the Turkish Parliament now has a core of dedicated women members who are working to get the legal situation of women workers brightened. Turkan Arkan of the Motherland Party and Mrs Ruzan Sahinkaya are preparing a Bill which will allow pregnant women additional benefits and guarantee them better conditions. They say existing legislation leaves scope for improvement.

More generally, women in Turkish society seem to be trapped between their own modern ideas and the norms of a traditional world which has largely vanished, but still lingers in the minds of some men. However, in town and country, progress seems to be steadily continuing for women in spite of all these handicaps.

Turkey's

ENKA MARKETING



Tell us what you want. We'll deliver it. 'It?'
"It" can be cement to a Saudi housing project... or, lemons to Covent Garden.

Enka Marketing is Turkey's Number One exporting house. In 1984, Enka exported over 1000 different products of 500 of Turkey's public and private industrial companies.

Enka Marketing has spearheaded Enka Group's drive into overseas markets as far from home as China and the Americas.

Enka is the leading supplier of construction material and support equipment for all the countries of the Middle East... delivering directly to construction sites. Enka also delivers fresh and canned fruits and vegetables, in almost endless variety, to markets as widely dispersed from each other as London's venerable Covent Garden... Kuwait's sprawling vegetable market... and the Port of Tunis. All kinds of Turkish textile goods flow outward to markets in New York, Europe and

the Middle East. Chemicals and fertilizers even as far as China.

From offices in Istanbul, Tehran, Baghdad, Amman, Jeddah, Riyadh, Cairo, Tripoli, Hamburg, London, New York, Hong Kong and Singapore, Enka represents all the major products of the new Turkey. Tell us what you want from Turkey. Enka will deliver it.



ENKA MARKETING
We deliver.

Please contact Mr. Mihail Özbek, ENKA Marketing Export Import Co., Prof. Nurettin Mazhar Ököl Sok., ENKA Building, Şişli, Istanbul-Turkey
Tel: 146 04 10 - 146 70 75 Tlx: 22675 pte tr - 22554 epes tr

Straight Talk about Investing in Turkey...

The broad facts you may already be aware of. The country's unique geographical location as a bridge between Europe and the Middle East, the lower operation and transportation costs, the plentiful raw material resources and the rapidly increasing domestic market... all offer substantial returns to the investor.

But what you may still need is detailed, accurate information about specific, investment-related topics.

The Istanbul Chamber of Commerce, a 103-year-old, non-profit public organisation, which counts among its 100,000 members representatives from every trade and industry, has published a series of free, informative booklets in English of special interest to the foreign investor. In these publications you will learn about:

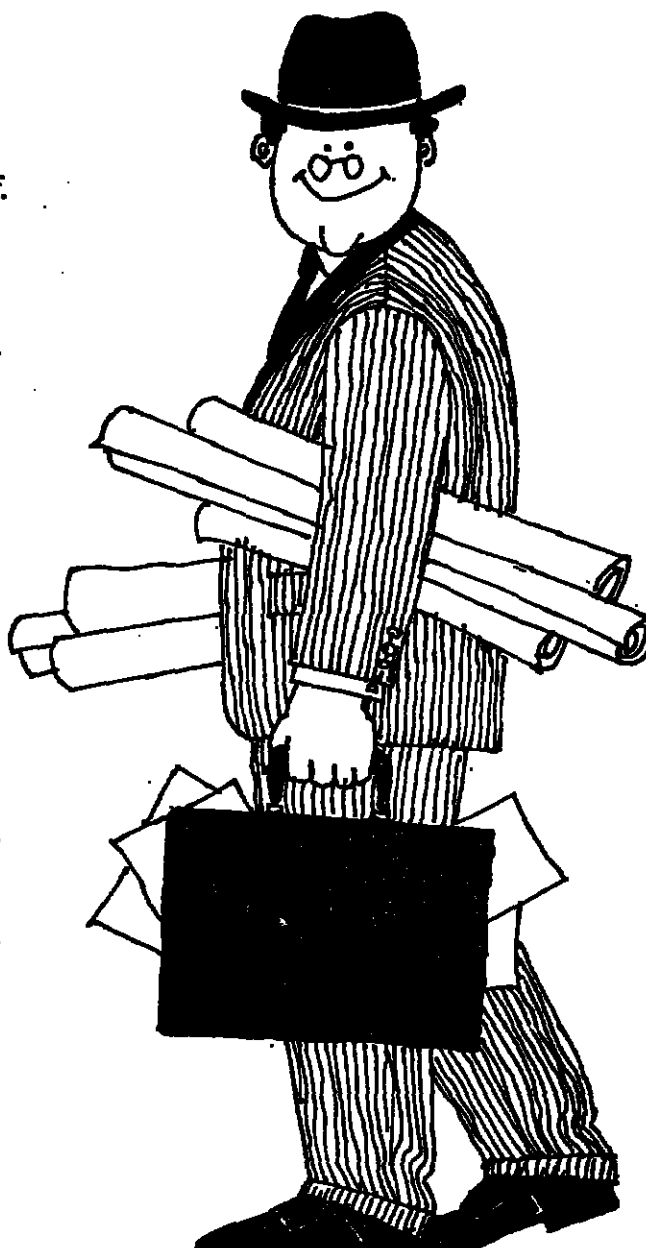
- The recently-created, centrally responsible Foreign Investment Department which now streamlines the application and approval process
- The US\$ 50 million limit up to which the Foreign Investment Department can approve foreign capital participations on its own initiative
- The opening of all fields to foreign capital with the same incentives offered to domestic firms
- The resolution of the foreign exchange crisis, which means that transfers of earnings are now put through within a period of two months
- The high rates of depreciation on foreign investment as compared with domestic ones; generally 30% per year and up to 60% in less developed areas

• Exemptions and deferrals of customs duty on all imports of machinery, plant, equipment and other materials for foreign investment projects.

Also of interest to you may be the Istanbul Chamber of Commerce's bi-annual Economic Report on Turkey. Just send in the coupon.

If you have specific questions or need contacts within the Turkish business community, we are also at your service.

ICOC
Istanbul Chamber of Commerce



To: The Secretary General, (ITO) Istanbul Chamber of Commerce, Eminönü, Istanbul-Turkey Tel: (1) 526 62 15
I'd like to know more about foreign investment in Turkey. Please send me, free of charge, the publications indicated below:

- ☐ Foreign Capital Regulations (1984-17)
- ☐ Encouragement of Export (1984-19)
- ☐ Labor Laws in Turkey (1985-1)
- ☐ Economic Report (November 1984)
- ☐ Journal of the Istanbul Chamber of Commerce (Quarterly)

Name: _____
Title: _____
Company: _____
Address: _____

Do you speak the Financial Times?

Businessmen do all over the world, whatever their native tongue. They look to the Financial Times for a clear, accurate and objective analysis of what is happening in the world of business, where it is happening and why.

The Financial Times - Europe's Business Newspaper

- ☐ Please send me information on how to subscribe to the Financial Times
- ☐ I would like to subscribe to the Financial Times for
- ☐ 3 months ☐ 6 months ☐ 12 months
- ☐ TL 15,000 ☐ TL 30,000 ☐ TL 60,000

Copies of the Financial Times will be delivered to you on the day after publication to your office address.

Name: _____
Address: _____

Tel./Telex: _____
Please write to: Dünya Süper Veri Ofisi A.Ş.
Narlıbağ Sokak No.15, Cagaloglu/Istanbul
Tel: 520 5400/Telex: 23822

TURKEY 14

Arguments about academic freedom

Universities
STEWART DALRY

WHETHER THE law of November 6 1981, reforming Turkey's universities has resulted in a better, freer system more closely geared to the country's manpower and employment needs must be a qualitative judgment depending on whose point of view is accepted.

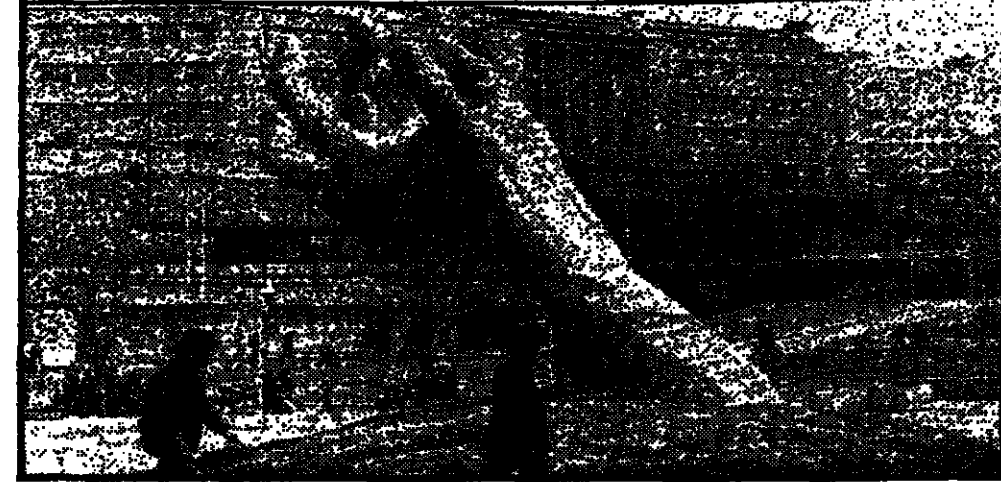
To the redoubtable Professor İhsan Doğramacı, the president of the council for higher education, there was simply no alternative to the reform. In this context, reform means changing the system of election of rectors, and professors and changing the rule of political affiliation.

A pamphlet published earlier this year, called, *The Higher Education Reform in Turkey, Results after Three Years*, states: "It is hardly necessary to recall the events which shook Turkey during the 1970s. Universities became highly politicised microcosms of the unrest in the country as a whole; university students and, not infrequently, teaching staff members, sided with the various factions. Campuses became armed camps and in some cases training grounds for guerrilla fighters... with the police having to intervene because of university autonomy."

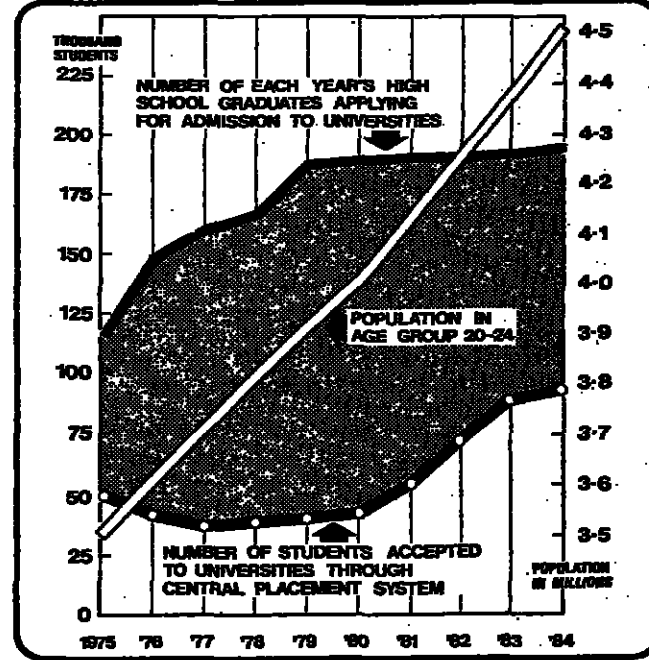
According to Prof Doğramacı, the central problem was that autonomy meant university rectors and the faculty deans were elected for set terms by the teaching staff. There was no government appointee like the Kurat in some Swiss universities or the Kanzler in certain other European universities, nor was there any outside governing body such as the court of university of the grants committee as in the British system or board of governors, trustees or regents as in American universities.

Elections to rectorships on many occasions became politicised and could take weeks of continuous balloting. Moreover, the universities tended to become closed shops. It was difficult for the younger generation to break into the system.

It was necessary to wait for four years after receiving a doctorate before being eligible to enter a series of examinations, taking a minimum of nine months leading to the "doctentship" or lectureship certificate. For those already within the system, however, promotion became virtually automatic as did tenure. There was very little



Ankara University, one of Turkey's largest, with its striking sculptural symbol of grasping for knowledge



In some respects many observers would not disagree that the system now works better. It is in the key area of appointment of professors that the council has come in for harsh criticism, not only among homegrown academics but internationally.

One well-known professor who wishes to remain anonymous was dismissed from his post teaching liberal arts subjects in 1983. He said that he thought 200 professors had been dismissed on the orders of the military. Some 327 had been dismissed by the YOK, and 861 had resigned.

He claimed that, while he continued teaching, he was told not to use certain books. He felt that some courses in the political sciences had been curtailed. He admitted that all jobs were now advertised but said there was a careful vetting of candidates by the YOK.

Professor Doğramacı's response to these claims is a variant on the wider theme pervading most areas of Turkish life. Namely that there was virtual anarchy in the 1970s, and you cannot move straight to fully democratic rules from a situation like that. He says there was, of course some cost to pay in terms of repairing an inadequate education system.

He denies, however, that the council appoints professors. They are appointed by the universities. He says that after the declaration of martial law in September 1980, some 68

members of university teaching staff in Turkey were sent into early retirement. Some of these have since been offered their jobs back.

There has been a number of resignations. This, he says, was because professors in some subjects such as law declined to go to the provinces on a rota or drawing of lots basis. He says that in 1981 there were 3,156 professors in the seven universities in the larger cities and only 65 professors and associate professors in the nine universities outside the large cities.

Whatever the arguments about academic freedom, there is no question that the system has been expanded considerably since 1981. There are now 27 universities, including two technical universities. In 1984 there were 92,543 university entrants, more than double the 1980 number, with some 360,000 students in full-time further education. It is estimated that some 7 per cent of those eligible in the 19-24-year-old age group are receiving tuition.

This is still well below levels in some Western countries. But it is hoped that the percentage will be increased to 12 per cent by the end of the current five-year plan in 1989.

Critics point out that there has not been a comparable increase in investment—students are crammed into the same buildings—and that some of the new universities are simply re-designated teachers' training colleges. They also allege that standards have fallen.

As for gearing education to the country's needs, the YOK was told by the State Planning Organisation that an average of 5,000 physicians should graduate annually in order to meet the needs of the population. The number of medical schools has been doubled to 14 in recent years and the intake last year went up to 5,823 compared with 2,400 three years ago.

The council says that perhaps 60 per cent of courses in the universities are liberal arts/social sciences but this is changing. Studies are being carried out to discover how many electrical and mechanical engineers will be needed.

In the meantime, Prof Doğramacı says that the country will be able to use all the engineers it can produce. There are a number of two-year courses in what in Britain would be called technical colleges or vocational schools, and it is now possible to take courses in computer sciences in five university faculties.

The Expert Bank In Foreign Trade
In Turkey: ESBANK

Esbank, the modern bank offering modern services with modern technology and expert personnel.

When expanding your banking network in Turkey, be assured that with Esbank's modern concept of service import, export and all other financial transactions are carried out with speed, profit and trust.

Esbank, when you need a modern bank in Turkey



Istanbul: Beyoğlu, İstiklal Cad. No: 361/365
Telefon: 1434117 1434118 1440080
Telex: 24535 eses tr.

Financial Times Survey
on Turkish Finance
and Industry

The FT proposes to publish the above Survey this year on November 4. It will present a detailed analysis of the effects of the radical economic reforms being introduced by the Government of Mr Turgut Ozal and, in particular, the implications for trade, investment and banking in Turkey.

The worldwide sales of the Financial Times are at a record level of nearly 220,000 copies per day, which means that the daily readership of the FT is now approaching 1 million executives worldwide. This provides the ideal medium for your organisation to publicise its identity, services or products.

A synopsis of the proposed editorial content will be available during August. For this and further details of advertising space and rates, please contact:

In London: Chris Schaanning, European Advertisement Dept, Financial Times, Bracken House, 10 Cannon Street, London EC4P 4BY
Telephone: 01-248 8000 Ext 3699
Telex: 885033

In Istanbul: Sergio Costante, Financial Times, Vakıf Yali Kosku Han, Kat 3 No 301, Sirkeci, Istanbul
Telephone: 527 7084
Telex: 23636

Copy Date: October 7

In the interests of topicality the subjects covered editorially may vary from the printed synopsis.

PROFILE: İHSAN DOĞRAMACI

Set to preside over
university reform
for rest of decade

TWO YEARS ago, Professor İhsan Doğramacı was given a place in Turkish official protocol which gives him precedence over Cabinet Ministers on many public occasions. It was a tribute to a man who both his friends and enemies would agree is one of the most powerful personalities in Turkey today and who has remodelled the Turkish university system along completely new lines since 1980.

There are those, including possibly Doğramacı himself, who regard him as a possible candidate for the presidency—almost the only civilian name to be mentioned in this context in Turkey.

Prof Doğramacı is a powerful presence who musters his arguments so fluently that it is hard to get a question or comment in edgewise. Apart from his present role as Chairman of the Higher Education Board (YOK), which he conceived and pushed through after the 1980 military coup, he has also set up an International Paediatrics Centre in Ankara as well as Hacettepe University, one of Turkey's foremost academic centres.

He was born outside the frontiers of modern Turkey in Kerkuk in 1915 and comes from a wealthy landowning background. He was given an international education—Lycee in Beirut was followed by Medicine in Istanbul, and then work in paediatrics in three American Universities.

He became dean of medicine at the newly founded Hacettepe and rector of Ankara University in 1954, when he was 39. Since then he has been an indefatigable organisation man, building his way through bureaucratic obstacles which defy most innovators in Turkey and creating institutions usually modelled along American lines.

His curriculum vitae testifies to his credentials as an organiser for such bodies as Unicef, the World Health Organisation, and the International Association of Paediatricians. He holds honorary professorships in nine different countries, as well as the French Legion of Honour.

A powerful friend, he can also be a formidable enemy and has not expressed any regret for the several hundred academics who lost their jobs after his appointment in 1981, though he says most of the sackings were carried out by the military.

Critics say that in his drive to push through change, he often ignores administrative detail, thereby creating confusion or even chaos on the day-to-day level. The professor is, however, always careful to document the thinking behind his plans, trying to forestall critics.

There is no doubt that a certain personality cult has surrounded him in recent years. No other strong personalities are to be found on the YOK and some foreign vice-chancellors tell affectionately of how they have been asked, during visits to Ankara, to tour a personal museum in which photographs of Professor Doğramacı at the various highpoints of his career are distributed.

The Turkish left is fond of pointing out that he has published only one book, a sort of Turkish handbook for mothers along the lines of Dr Spock's works. He retains the full trust of the military authorities and seems set to preside over the transformation of the universities for the rest of the decade. By the time he steps down the changes he introduced in 1981 will probably have become irreversible, setting a stamp on future generations.

GAMA

Enjoys the Pride of having participated in the development of Modern Turkey by performing the construction, erection and manufacturing of over 60 Industrial Plants

Turkey Construction of:

- Thermal Power Plants
- Chemical and Petrochemical Plants
- Water and Sewage Treatment Plants
- Industrial Plants

Manufacturing and Erection of:

- Steel Structures
- Belt Conveyors
- Pressure and Nonpressure Vessels
- Steam Boilers under the Babcock & Wilcox Co. U.S.A.

GAMA

ENDÜSTRİ TESİSLERİ
MALATYAMONTAJ A.Ş.

Head Office:
Gama Building, Atatürk Bulvarı No: 229 Kavaklıdere-
Ankara - TURKEY
Tel: (41) 28 61 10 (10 lines)
Tlx: 42434 Gama-tr, 43290 Gmas-tr

May 20 1985
Society
om

مكتبة النظم



The Dragonara Palace is a haven for tourists seeking a rest from the bustle of Istanbul. Right: a view of Bodrum on the South West coast of Turkey

Failure to capitalise fully on natural delights

Tourism

STEWART DALRY

TURKEY IS a country whose tourism industry seems to be eternally promising. On the face of it the country has just about everything for the tourist.

Istanbul is a veritable treasure trove of places to visit and sheer delights for the eye. The skyline of Stamboul, the old part of the city, which was once Constantinople and is an old city indeed, is dominated by the domes of Hagia Sophia, the Blue Mosque, the palace of Topkapi, and well numerous other mosques and beautiful old buildings set into the hills on which the city is built.

Hagia Sophia was first dedicated in AD 360, but then having been burnt down was rebuilt and dedicated by the Roman Emperor, Justinian in AD 537. For a thousand years thereafter it served as the city's cathedral. The Blue Mosque or the Sultan Ahmet Camii to give it its proper name is thought to be the most splendid of the imperial mosques.

It had a cascade of domes and semi domes, and six minarets accentuating the corners of the courtyard. The mosque was founded by Sultan Ahmet I in the first part of the 17th century. The palace of Topkapi was originally built early in the 15th century. It continues to house fabulous collections of jewellery and porcelain but is perhaps most famous for the harem, which was added later and reached its heyday in the reign of Suleiman the Magnificent in the 16th century. A visit to the harem, a labyrinth of rooms and chambers of intricate decoration is not to be missed even for those not especially interested in antiquities.

There is plenty to do in Istanbul besides visit mosques. It is a good city to stroll through, particularly the book-sellers' market and the grand bazaar, where there are bargains to be had, particularly for silks and Turkish rugs and even through the back streets where food and drink is cheap.

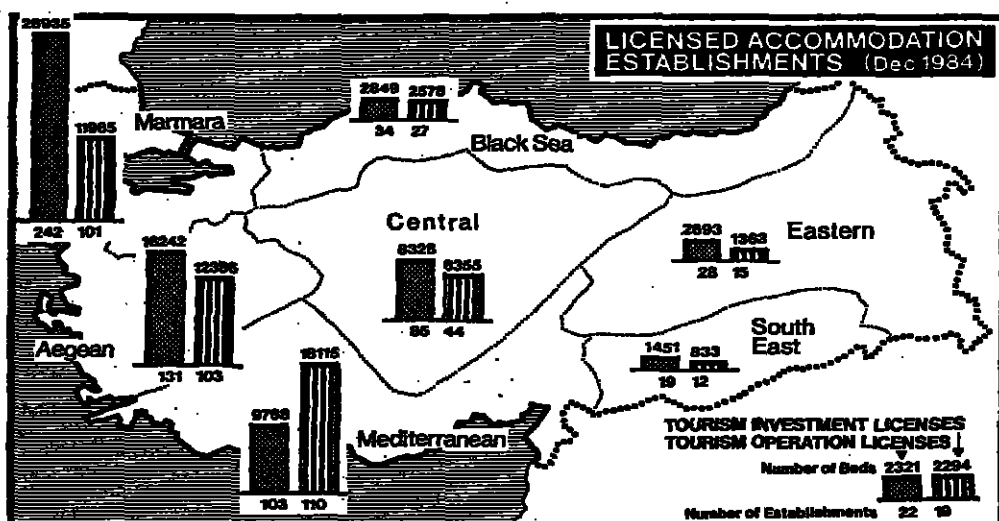
There is the Galata bridge across the Golden Horn where you can fish, watch the old men smoking ornate pipes or eat fish in the restaurants underneath the bridge virtually on the water. The Bosphorus, which connects the Marmara Sea and the Black Sea, is lined with picturesque villages with fish markets and roadside restaurants with tables outside and boats going by.

It is possible to take boat rides up the Bosphorus. Every two weeks the Maritime Line does a nine-day trip up the Black Sea, visiting the ports of Trabzon and Samsun.

Outside Istanbul, the south coast stretching west and east from Antalya consists of long beaches and very clear water, against a backdrop of mountains. The Aegean coast below the Sea of Marmara is made up of many rugged inlets. The Black Sea is worth a visit if only for the spectacular drive around the cornish at Ordu. However the season is short on the Black Sea and the weather unpredictable.

There are at least three areas where the skiing is said to be good in the months of January to March. There are thought to be almost 50,000 sites of archaeological interest.

Some historical treasures lie in the East towards the provinces of Kars and Van. Konya,



for example, stands on the site of the city Catal Huyuk which flourished in the Middle Ages and was the centre of Seljuk power before the Turks conquered the West coast. To the north east of Konya lies the underground city of Cappadocia, a vast landscape of rock caves.

For all this, the tourists still do not visit Turkey in vast numbers although the total is slowly rising. There were 1.5m in 1982, 1.6m in 1983 and 1.7m in 1984 according to Directorate of Tourism at the Ministry of Culture and Tourism. These figures include business visitors.

Greece by comparison gets at least 6m tourists a year while Spain receives a massive 40m.

Depending on which set of figures one takes, Turkey made a net \$310m from tourism in 1984, according to the Third Five Year Plan, 1985-89. In the State Planning Organisation's economic indicators, net tourist receipts are put down at \$271m, a fall over the \$284m earned in 1983.

The confusion is due to the fact that after the easing of exchange controls Turks began to spend money abroad. The gross figure for tourist spending went up in 1984 substantially over the \$410m registered in 1983.

However one computes the figures the earnings appear to be well below the equivalent of 10 per cent of visible export earnings. Workers' remittances by contrast are equivalent to over one-third of visible exports. The reasons Turkey has not taken off as a tourist country are many and varied. During the 1970s the country had such a bad image for political violence that few regular tourists wanted to visit.

The back packers and young travellers on the so-called "hippy" trail to Afghanistan visited, but many of these were frightened off by the film Midnight Express and the view it gave of harsh prison life and tough punishments for drug use. In any event the revolution in Iran and the Soviet occupation of Afghanistan meant the effective closure of the "hippy trail".

Also the political turmoil in Turkey coincided with severe economic troubles, particularly a balance of payments nature, so there were not enough funds either public or private to develop the necessary infrastructure.

The most severe shortage is of hotels and beds. At the end of 1984 there were only 68,266 hotel beds in the entire country. The comparison often made by hoteliers, is that there are only 13,000 beds on the east coast, less than on the Greek island

of Rhodes alone.

There are only 642 recognised hotels in the country that are establishments with tourism operation licenses from the Ministry of Culture and Tourism.

The problem is particularly acute in Istanbul. There are only three first class or five star hotels, The Hilton, the Sheraton and the Elap Marmara. Mr Norbert Spichtinger, the general manager of the Hilton, estimates that there are only 2,500 beds available in Istanbul in first class hotels.

It is virtually impossible to get what is an expensive room in the Hilton unless it is booked well in advance. During the week the hotel is full to overflowing, but there is some leeway at weekends.

In Ankara the situation is worse in that there is only one first class hotel the Buyuk Ankara. Although the capital city is not really a place for tourists, the Buyuk is always full.

There are perhaps half a dozen of what Mr Spichtinger would describe as four- or three-star hotels. The most charming of these is the Pera Palas, the 83-year-old hotel overlooking the Golden Horn. For those interested in hotels with a feeling of departed Grandeur or local atmosphere, the Pera Palas is the place to stay. It was custom built by Thomas Cook's for travellers on the Orient Express and is featured in one of Agatha Christie's best-known novels.

There are any number of smaller hotels, but in some the standards of hygiene leave something to be desired. The shortage of hotels does not reflect any lack of interest by international chains. Both the Sheraton, and Trust House Forte have been trying to expand in Turkey, the former in Ankara.

But there was until recently a terrible bureaucratic log-jam to get through. There was also a shortage of suitable local partners with sufficient capital, and finally there was a shortage of available sites in a bustling and overcrowded city.

The bureaucratic procedures have been streamlined considerably. There is now "one stop" foreign investment, in that the Foreign Investment Department of the State Planning Organisation can deal with all queries. Prospective hotel owners or builders can now benefit from a range of incentives available to foreign investors.

Cheap leases on land for up to 50 years and in some cases 99 years are available. There are cash grants for some of the capital costs and there are exemptions from corporation tax in some cases for short periods and other attractions.

In Istanbul some sites have been redesignated suitable for hotels, such as part of the university for example. This should help ease the pressure in Istanbul. However with the incentives and the much improved infrastructure, the resort areas should now start to grow rapidly.

There are at least 14 foreign groups involved in tourist development according to FID. The number of groups with investment licenses is 412, and the number of beds is scheduled to rise to over 80,000 by this

time next year, and over 100,000 by the end of the decade.

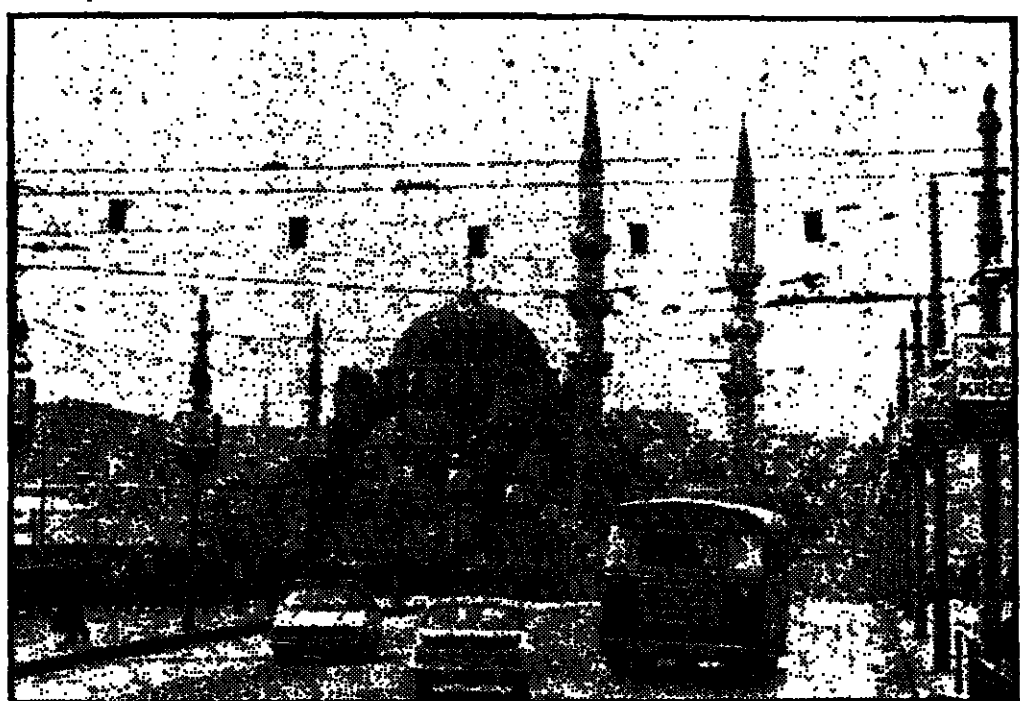
In three resort areas, Antalya, Marmaris and Izmir, the infrastructure has been improved considerably, roads have been built and there are direct telephone links. Above all, it is now possible to fly direct from Europe admittedly on

Turkish airlines into Dalaman (to service the Marmaris area), Izmir (to service the higher Aegean coast) and Antalya to service the south. There are now four direct flights a week into Antalya.

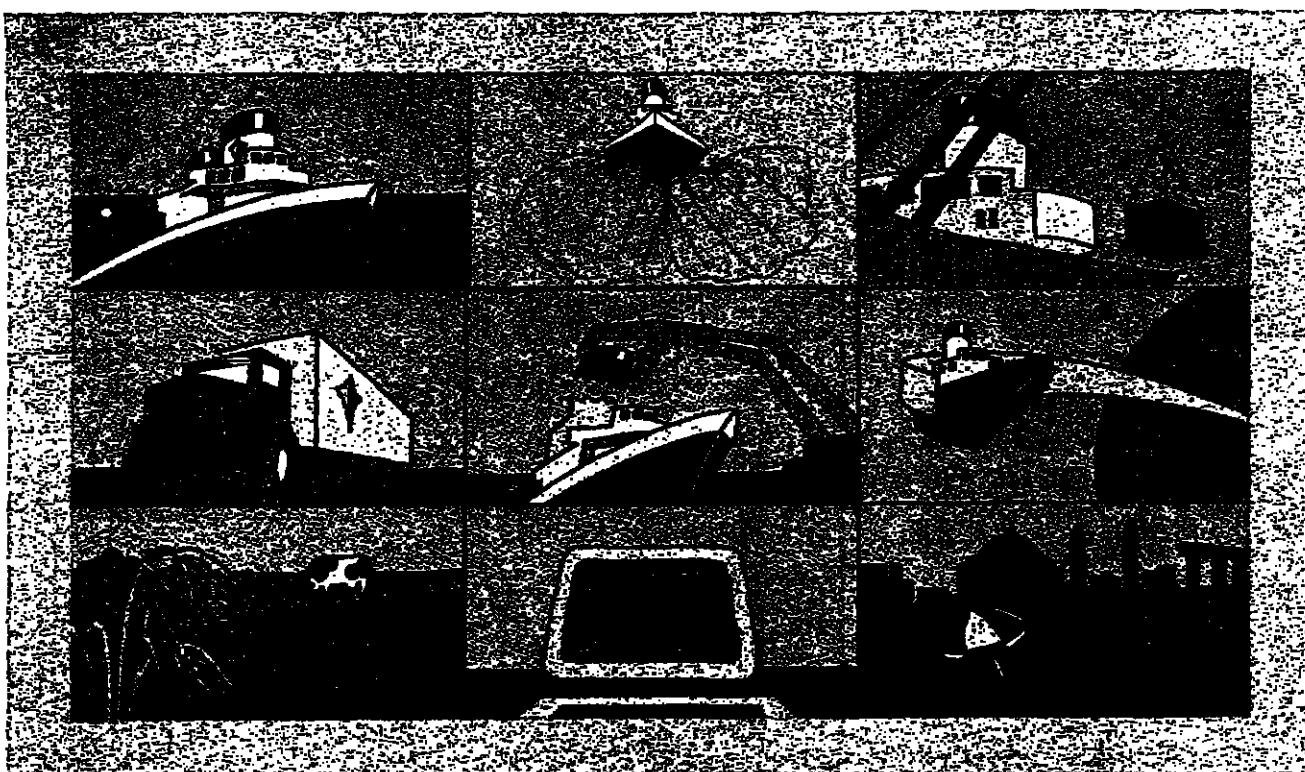
Accordingly, it is around these areas that the hotels and holiday villages are springing up. There are four Club Meds in the Marmaris area, one Club Robinson functioning and another on the way. In Antalya 18,115 new beds are planned compared with a current 10,000.

In the Marmaris area some 12,000 new beds are planned and higher up on the Aegean around 11,985 are planned. It is to these areas that Turkey wants to attract Arab visitors. These would be the kind of tourists who used to go to Beirut and perhaps now visit Morocco. To this end, holiday complexes with marinas and casinos are being planned.

With Turkey projecting a more settled political image to the world, and the infrastructure and accommodation being put into place, it seems likely that visitors could increase substantially, particularly once international tour operators begin to make connections.



Galata Bridge over the Golden Horn, Istanbul



INTEGRATED SEA AND LAND TRANSPORTATION • SHIP MANAGEMENT • SHIPPING AGENCY
CHARTERING • SHIPBREAKING • INTERNATIONAL MARKETING • COMMODITIES TRADE • AGRIBUSINESS
TOURISM AND TRAVEL • CONSTRUCTION • DATA PROCESSING • SOFTWARE • COMMUNICATION SYSTEMS

Zihni,
a diversified and extensive organisation
with 55 years of experience
in international transportation and trade
is now setting the trend for
joint ventures
to invest in Turkey.

TURKISH BRITISH CHAMBER OF COMMERCE AND INDUSTRY

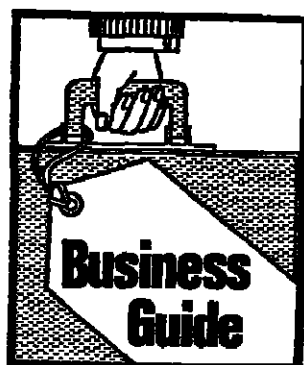
P.O.B. 581, London W5 3NF
Tel: 01-993 6070 Telex: 935431

Our aim is the development of
Anglo-Turkish trade

19/80
ZIHNI
GROUP OF COMPANIES
BÜYÜKDEKİ CAD. NEVTRON HAN NO 119
GAYRETTEPE/İSTANBUL-TURKEY PHONE: 0212 7100
TELEX: 21328 ZIATR 2668 ZDTP TR

TURKEY 16

Hospitable country to explore



TURKS ARE justly proud of their hospitality and a first-time foreign visitor to Turkey can be expected to be lavishly entertained by his hosts, especially if they come from the private sector. He may also find quite casual acquaintances going out of their way—and sometimes embarrassingly beyond their apparent means—to be hospitable.

But Turkey is a country which repays exploration—whether you are shopping, looking at historic monuments, or touring restaurants and drinking places. Staying alone can sometimes prove more difficult than making friends. But Turks have certain expectations of their foreign visitor. Smart clothes and warm manners are in. Pushiness and stinginess are out.

ARRIVALS Istanbul's new international airport is used to foreign business visitors. Ankara airport much less so. Civilians wishing to meet arriving visitors are often not admitted to Ankara airport for security reasons—an inconvenience which has produced grumbles in Parliament.

Baggage pick-up, immigration and customs clearance are reasonably swift. It is essential that one gets an entry stamp in one's passport. No entry stamp and it may be difficult to leave the country. Customs men are generally tolerant to foreigners but will tend to write any piece of mechanical or electrical equipment into a visitor's passport.

Both airports are served by taxis. There is a Turkish Airlines (THY) bus service to its terminal in a not particularly convenient location inside Ankara. Make sure the driver switches the meter on. The drive to Taksim Square costs about TL 3,000 (\$4.60) and to central Ankara about TL 5,000. When departing, remember

that security checks, particularly on internal flights, are meticulous and time-consuming. However, advice from the international airlines to check in two hours early for departures from Istanbul is unnecessary.

There are fairly good duty free shops in Istanbul but credit cards are not accepted. More limited facilities are available in Ankara. Only foreign currency is accepted.

One special attraction is common to both airports. Arriving passengers can buy from the duty free shops if they are open, and customs men are extremely tolerant of a second or third bottle of spirits.

WHERE TO STAY

Both Istanbul and Ankara are short of hotel beds. Ankara still does not have a hotel up to the highest international standards. Booking in advance is advisable in winter, essential in the summer months in both cities. In Istanbul, the Hilton, the Sheraton, and the Etip Marmara divide the honours in the city centre.

Those in search of old world charm, with a certain dinginess, can find it at the Pera Pallas (telephone 145 22 30) or the Buyuk Londra Oteli (telephone 149 10 25). Up the Bosphorus, the small Bebek Oteli is good for an inexpensive stay on the shores and has an excellent restaurant. Further up the Bosphorus, the more expensive Carlton and Tarabya Hotels are also worth considering if distance is not a major consideration.

All hotel prices are expensive and in the case of the major hotels pegged to the dollar. \$120 a night is typical for the larger hotels. Provincial hotels vary from the extremely cheap to the relatively expensive.

It is worth inquiring the name of the best hotel or two in any town one proposes to stay and booking in advance. If booking by telephone, remember to take the name of the clerk who makes the arrangement, in order to avoid any confusion on arrival.

GETTING AROUND

Most major state enterprises and private firms have a plentiful supply of cars and drivers which they will often place at the disposal of visitors. However, taxis are plentiful. Since 1983 they have carried meters which they are obliged by law to turn on. Rates are cheap and there is no tipping.

Few drivers have much English, however, and if you are going to an out of the way address, it might be a good idea to get a Turkish friend to equip you with a little note and diagram in Turkish to help your driver.

Public transport is best avoided by business visitors inside cities. Buses are cheap but overcrowded. The famous "dolmus" system has now evolved into a fleet of big city minibuses.

For intercity travel, if you can stand long bus journeys, there is an excellent and ultra-efficient private bus system with many companies competing for your custom. Journeys are accomplished rapidly (sometimes almost too much so) and cheaply. Train journeys are even cheaper, but not recommended, with one exception—the Anadolu Express which runs each night at 9.40 pm from Ankara and Istanbul to arrive at the other city at about 8.45 in the morning.

A first class sleeper costs TL 11,900 and many longtime foreign residents in Turkey become addicted to the service. A glass or two of raki in the dining car will round off the evening. Passengers are attended by a "konduktor" who will bring water, light drinks, and even dinner or breakfast if you so wish. He receives a statutory tip of TL 250 at the end of the journey. Compartments can become overheated during the night—keeping the window a finger's width open is advised in all seasons.

Flying is cheap but except for the Ankara-Istanbul route, schedules are often extremely inconvenient, especially from Ankara. There are fairly good services daily from Ankara to the major cities in the East (Erzurum, Van, and Diyarbakir) which would take about a day's solid driving to reach by surface.

Car rental is expensive, but the major international firms are all represented and increasingly have provincial branches in major cities outside Ankara and Istanbul.

Intercity high roads can be, all things considered, quite good. But the arterial route running from Ankara to Istanbul is congested and a little dangerous. On other routes, it is worth asking in advance what road conditions are like. Road-making or mending can cause major delays.

SHOPPING

Carpets, alabaster, old copper, 14 carat gold jewellery, ceramics—these tend to head the list of visitors' preferences. Generally the best quality but also the highest prices are to be found in Istanbul. Ankara, whose main carpet shop at Ulus—called Sharks—claims to be the largest in the Middle East, offers the best bargains.

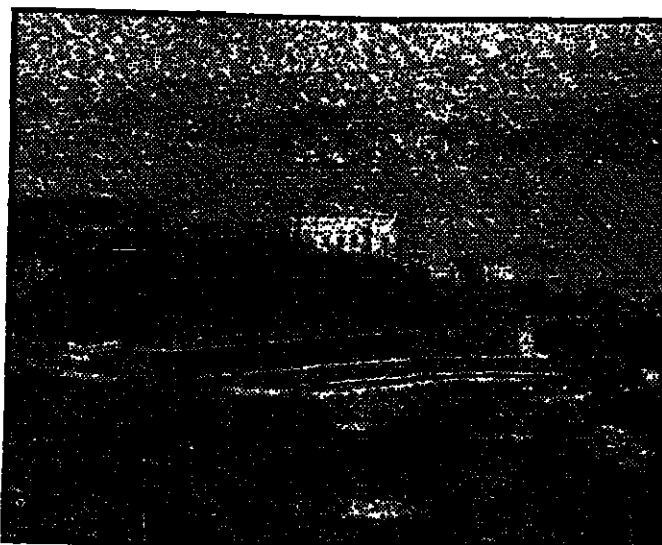
Those who don't want to invest in any expensive rug would be well advised to look at Cheap Charlie's, buried in the Fuar Passage in Kosova Sokak at Kiyayis. Cheap Charlie's owner, Mr Rahmi Leblebicioğlu is a maverick wholesaler who prefers to sell direct to Western customers and is very popular with diplomats and visiting Westerners. Alabaster is best bought in the Goreme region. Meerschaum pipes at Eskisehir—but both are available all over the country. The best ceramics are to be found in Kutahya where one or two shops now make high quality reproductions of the best Ottoman ware.

The Covered Bazaar in Istanbul sells all these things, as well as antique copper. Again, Ankara offers some of the best bargains—try visiting Copper Alley (Salman Sokak near the Aslanhane Mosque) shops such as Erciyas sell good 19th century copper (it is best to buy it unpolished, though it is a matter of taste).

The owners of Erciyas and other shops will be happy to ply you with tea or coffee and conversation, even if you have no intention of buying anything. Prices for copper plates and pots tend to be in the TL 2,000 to TL 5,000 range even for pieces 150 years old and bearing Greek or Armenian inscriptions.

These are genuine and their exportation is legal. Not so with coins. If you buy a coin more than 80 years old you risk firstly being arrested since most are forgeries, and secondly being taken to court if detected.

Gold jewelry is abundant in Turkey. Try Ulus or the Kugula Passage in Ankara and shops in Osmangazi or the Covered Bazaar in Istanbul. Quality is high and unlike England, gold chains etc tend to contain 14 carat rather than 9 carat gold. One word of warning—customers will, especially if you have bought a large carpet—want to see proof that you have bought a corresponding amount of foreign currency into the country to meet your



Istanbul's main football stadium, The İnönü Stadium, with the Bosphorus in the background.

purchases. Don't worry too much about the age of carpets. Exporting antiques is forbidden but in practice little or nothing on offer to casual buyers counts as that. You are unlikely to be offered a piece more than 90 to 100 years old.

EATING OUT

Going out to restaurants is a national pastime in Turkey for all social classes. Even small kebab houses can offer their own delights, though the foreigner may well find the cuisine too much based on lamb. Ankara, Istanbul, and Izmir all offer top class restaurants for the visit—in Istanbul, try Pandelli's in the Spice Market for lunch and Abdullah's or Samdan for dinner. All three are fairly expensive, though only by Turkish standards. In Ankara, businessmen prefer RV or Yali (a pleasant place to sit out in summer) or for fish, Yakamoz.

Both Istanbul and Ankara have many fish restaurants and the fish in Ankara can be trusted even in the height of summer, one of the city's pleasant surprises. Apart from Yakamoz, try Liman for trout or Rikim. About 15 miles south of the town, Chez Le Belge offers a seductive combination of crayfish followed by pepper steaks or tournedos. In Istanbul, the best fish restaurants are up the Bosphorus and there can be few more magical experiences than sitting beside that waterway for dinner on a clear summer's evening, watching the boats go by. Try Palet3 at Tarabya—or Yeni Genes or the Bebek Oteli at Bebek, or Antika or Kuyu at Arnavutköy.

Turks love sitting out drinking beer and eating fried mussels at cafes along the Bosphorus.

Or try the famous Cicek Pasaji (Flower Market) at Galatasaray

just off Istiklal Caddesi.

Non-Turkish cuisine is becoming more familiar. Ankara, Istanbul and Izmir now boast a chain of restaurants, usually popular with foreign residents, called China Town. Ankara and Izmir both also have Italian restaurants.

The most exotic semi-legendary foreign restaurant is undoubtedly the Yeni Rejans in Istanbul, where Russian ballerinas (legend had it princesses) served Tsarist-style home cooking and their own lemon vodka for many years. The old ladies have gone, but the restaurant continues very much in the traditions they established.

In summer the setting of a restaurant may be as important as the quality of the food it is offering. Almost all provincial cities have their own best known eating places—it is worth enquiring which these are as they may be tucked away upstairs in a side-street, undetectable to new arrivals.

CLUBS

Much of the Turkish business world is accustomed to eat, drink, and make conversation in private clubs. These can be based on school or university (Bosphorus University's Bizim Tepe in Istanbul being one outstanding example).

Almost everyone will know everyone else. A former prime minister or a cabinet minister or a millionaire captain of industry always seems to be sitting at the next table. The mood will be somewhat formal—only faintly more relaxed than it would be in a restaurant. Some of the bigger social clubs have discreet salons for card playing and gambling.

David Barchard

Inflation

		(Monthly change)		Istanbul cost of living index for wage earners	
		General change %	Food change %	General change %	Food change %
1984	I	5.9	8.4	2.9	3.2
	II	3.9	4.9	2.7	3.7
	III	2.1	2.9	2.4	3.4
	IV	4.2	5.0	3.2	3.0
	V	4.5	4.8	3.1	3.3
	VI	3.4	2.9	2.8	3.0
	VII	2.1	1.1	2.7	2.7
	VIII	2.1	2.3	2.7	2.7
1985	IX	2.1	5.5	1.5	1.7
	X	3.3	1.3	2.9	2.0
	XI	2.3	2.0	1.6	1.5
	XII	2.8	4.0	1.5	2.1
1985	I	7.4	8.0	8.2	4.5
	II	2.6	4.9	4.1	7.3

Source: Istanbul Chamber of Commerce

Race against time for reform

CONTINUED FROM PAGE ONE

and as succour to the enemy within.

This has provoked what may prove to be a growing challenge from the two major opposition parties, both of them at present outside parliament because they were not allowed to enter the 1983 general elections. Sodep, the Social Democracy Party, which enjoys the support of just under a quarter of the electors, is now committed to changing the 1982 constitution, a general amnesty, and stopping what it claims is torture. On this last point it has won some support in parliament.

The other opposition party, the True Path Party, is also committed to revising the 1982 constitution. It may be unfair to point out the corollary, but both parties in their quest for political liberalisation would probably also pursue economic policies which would be the reverse of those followed by Mr Ozal. There are serious questions about how long such policies—and the relief they would bring to some sections of the population—could last.

For the moment however, Turkey and Mr Ozal do not have to confront such questions. The prime minister is still at the peak of his influence and energy. He has proved an adroit politician and has not been grazed by such political episodes as the resignation of

the Minister of Finance last autumn, or a bribery scandal this spring surrounding one of his ministers.

The style of his government is economically dynamic, and culturally rather conservative. Sales of beer in rural areas are discouraged and religious festivals seem to play a somewhat more important role than in the past. There has been a crackdown on Western teenage culture in some provinces, with evils of their ways. Schools and universities are being organised to teach more facts about Turkey instead of the outside world. Japan, admired for its distinctive cultural styles as well as its business flair, has emerged as a possible model for Turkey.

However foreign support—and particularly foreign investment and foreign aid—are still regarded as essential. Capital-starved Turkey realises it cannot push through its industrial transformation without a transfer of resources from abroad.

The government has thus spent lavishly on public relations and attempts to explain its viewpoint to the outside world and to still the voices of Turkey's Socialist and Communist critics in Europe. Only when economic recovery leads to political relaxation, is tension—which complicates Turkey's standing as a potential applicant for full EEC membership—like to subside.

TO DEVELOP YOUR BUSINESS LOOK FOR A LEADER

Turkey. Treasure of agribusiness.

As a banker, businessman or investor with an open eye for good and safe returns, you can not pass by Turkish agribusiness.

T.C. Ziraat Bankası, Turkey's leading bank, leads you into new business opportunities in Turkey.

Just ask the biggest bank for detailed information and advice.



information and advice. T.C. Ziraat Bankası, providing a window to agribusiness and international trade financing, is the oldest and largest bank in Turkey, comprising a 25 % share of the Turkish banking sector.

It has 1200 branches in Turkey, 1 in New York, U.S.A., and representative offices in Europe and the Middle East.

T.C. Ziraat Bankası ranks among the world's top 300 banks with assets more than \$ 5 billion.

And last but not least, T.C. Ziraat Bankası is the key to agribusiness opportunities, commerce and industry.

T.C. ZİRAAT BANKASI

The oldest and the largest bank of Turkey

The Future is Crystal Clear

A close and cooperative look at the outstanding developments in glass industry is enough to perceive the increasing importance glass will acquire in the future.

Şişe-Cam is already a part of that promising picture on international level, with its fifty years of technological, financial and commercial expertise.

Find out more about this advanced group.

Camhan, Barbaros Bulvarı,

Beşiktaş-Istanbul

Tel. 172 72 00,

Telex. 23 828 PCAM TR



MAIN PRODUCT GROUPS

FLAT GLASS GROUP

- Float, Fostoria and Pittsburgh Processes
- Safety Glasses (laminated)
- Double coated mirrors
- Insulating glass

TABLEWARE GROUP

- Lead crystal
- Hand-made & machine-made tableware
- Fine porcelain
- Heat resistant kitchen & tableware

CONTAINER GROUP

- Borden (including sleeve application)
- Jars

FIBERGLASS GROUP

- Plastic reinforcement fibers
- Reinforced wear-proof membranes (glass fiber reinforced)
- Polymers

MATERIALS GROUP

- Soda ash
- Sodium bicarbonate

Türkiye Şişe ve Cam Fabrikaları A.Ş.
"A major contributor to tomorrow's Turkey"

حکراً من الأصيل